



Department of
**Environment &
Conservation**

State Revolving Fund Clean Water Intended Use Plan Public Meeting

TN Tower & Virtual | Division of Water Resources

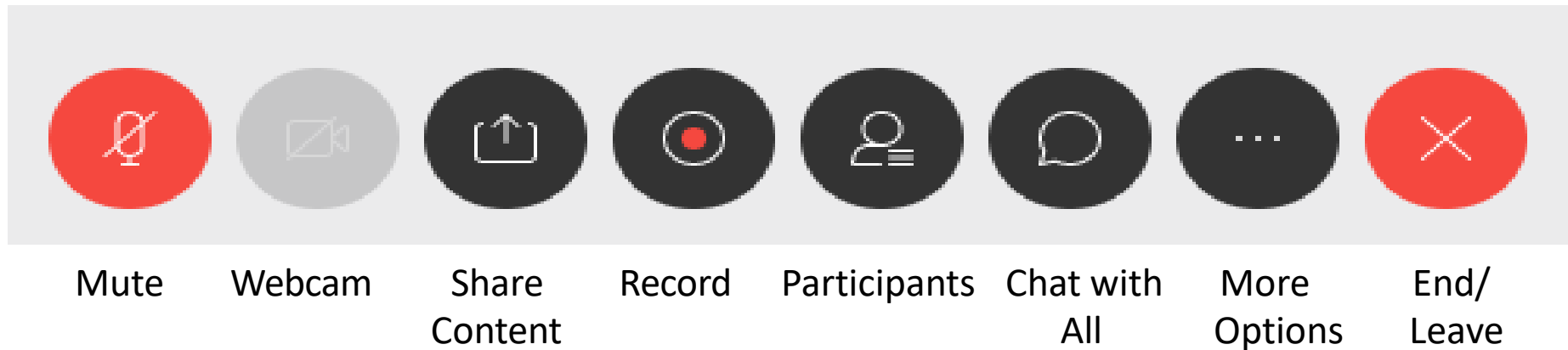
10:00am CST | September 9, 2022

Agenda



- Welcome & Overview
 - John LeCroy
- Present the Federal Fiscal Year (FFY) 2022 /*State Fiscal Year (SFY) 2023 Draft Intended Use Plan (IUP)* for the Clean Water State Revolving Fund
 - Adeniyi R. Bakare
- Comment Period
 - John LeCroy
- Adjourn
 - John LeCroy

Webex Overview

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 - Note: Some options may be disabled by the host.



All Platforms: How to Speak

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Clean Water SRF Intended Use Plan (IUP) FFY 2022 / SFY 2023

Public Meeting September 9, 2022

CWSRF IUP: Purpose

- Section 606(c) of the Clean Water Act requires each state to annually prepare an Intended Use Plan (IUP) to outline the use of grant funds awarded to the state and to describe how those uses support the goal of protecting public health and the environment
- Explain intended use of CWSRF for FFY 2022/ SFY 2023
- Document important features of the program
- Provide for public review & comment (Comment period from August 9, 2022 – September 9, 2022)

CWSRF IUP: Program Overview

- The CWSRF program was created through the 1987 Amendments to the Clean Water Act (CWA) to assist the public with wide range of water quality infrastructure projects
- The Tennessee State Wastewater Facilities Act of 1987 established a State Revolving Fund as an enduring and viable fund to provide low interest loans to local government to finance clean water infrastructure projects
- CWSRF program supports TDEC's mission to protect and promote human health & safety, and to protect and improve water quality across the state by helping communities afford safe, sustainable and resilient water systems

CWSRF IUP: Document Content

- Long-term Goals
- Short-term Goals
- Priority Ranking System (including Priority Ranking List)
- Financial Status
- Criteria and Methods for Distribution of Funds
- FFY 2022 Appropriations Bill & Other Requirements

All documents are posted on the SRF website:

<https://www.tn.gov/environment/program-areas/wr-water-resources/srfp.html>

CWSRF IUP: Goals

- **Protect and enhance the water quality** in Tennessee by ensuring the **technical integrity** of funded projects
- Maintain the **long-term financial integrity** of the CWSRF program through the judicious use and management of its assets and by realizing an adequate rate of return, preventing fraud, waste, and abuse
- Maintain a **self-sustaining** revolving fund through the CWSRF Loan Program to provide local governments in Tennessee with low-cost financial assistance for wastewater infrastructure projects
- Facilitate allocation of program resources to address the **most significant public health and water quality** compliance problems by actively working with these systems and the TDEC regulatory staff
- Promote the development of the **technical, managerial, and financial capability** of all publicly-owned wastewater treatment works to maintain or come into compliance with state and federal requirements

CWSRF IUP Short Term Goals

- Assist the development and implementation of **local water quality protection initiatives**.
- **Partner with** TN Department of Agriculture, **Non-Point Source 319** program to promote water quality protection
- **Expand the use of Green Project Reserve (GPR)** funding to include more projects and encourage innovative use of SRF funds following EPA's guidance.
- Review current **CWSRF rules and statute** for **potential updates** concerning stormwater project eligibilities, use of SRF funds for non-point source projects, and inclusive language for green infrastructure elements that improve hydrology and water quality.
- Review and develop recommendations for **updates to the CWSRF priority ranking system**. These updates may include, but are not limited to, improved accounting for green infrastructure and stormwater management.

CWSRF IUP: FFY 2022 Cap Grant Summary

- The State of Tennessee's federal allotment for FFY 2022 Base CWSRF Capitalization Grant dollars is **\$16,808,000**; the State is required to provide a 20% match of federal funds in the amount of **\$3,361,600**
- The State of Tennessee's federal allotment for FFY 2022 CWSRF Bipartisan Infrastructure Law (BIL) General Supplemental Capitalization Grant dollars is **\$25,855,000**; the State is required to provide a 10% match of federal funds in the amount of **\$2,585,500**
- Carry forward from the prior SFY **\$65,101,035**, coupled with the available funds from the FFY 2022 Capitalization Grant and principal and interest received from past SRF loans allows for up to **\$264,253,646** in potential loan awards.

CWSRF IUP: Financial Status

Financial Status of the CW SRF Loan Program	
Prior-Year (SFY2021) Carry-forward Funds*	\$ 65,001,035
Principal repayments and loan revenue**	141,445,858
Loan Interest Income**	9,926,939
Treasury Interest Income**	303,914
FFY 2022 Capitalization Grant	16,808,000
20% of FFY 2022 Capitalization Grant matched by the State	3,361,600
FFY 2022 BIL Supplemental Capitalization Grant	25,855,000
10% of FFY 2022 BIL Capitalization Grant matched by the State	2,585,500
Less: Set-Asides	
4% Administration from FFY 2022 BIL Capitalization Grant	(1,034,200)
CWSRF Loan Program Project Funds***	\$ 264,253,646
*Estimated balance at June 30, 2021 pre-year-end adjustments	
** Estimated principal, interest, and treasury interest for SFY 2022	

CWSRF IUP: Priority Ranking System

- Solicitation for the CWSRF Priority Ranking List occurs in **February** and is **a rolling list**
- Applicants seeking funding must submit a CWSRF Questionnaire including: detailed project description, project need, total project cost, projected construction start and completion dates, requested loan amount, and term of the loan
- Projects are prioritized (**Priority Ranking List**) by those that address reducing risks to human health or those working to maintain or improve compliance with CWA and Tennessee Water Quality Control Act (Rule 0400-46-01-.03) (§ 606(c)(1) CWA, 40 CFR § 35.3150)
- Projects are scored with highest scores given to those that address **discharges to impaired streams and public health** (Rule 0400-46-01-.02(2))

CWSRF IUP: Eligible Projects

Eligible Clean Water Project Categories

- Construction of municipal wastewater facilities
- Control non-point source pollution
- Decentralized wastewater treatment systems
- Green infrastructure projects
- Water quality projects
- Stormwater management
- Brownfields
- Consolidation
- Water reuse
- Asset management
- Capacity management



CWSRF IUP: Funding Projects

- Projects are ranked based on the highest number of priority points awarded on the **2022 CWSRF Priority Ranking List (PRL)** (§ 606(c)(1) of the CWA, 40 CFR § 35.3150)
- SRF gives priority to communities with projects that are **ready to proceed**
- Upon receipt of the FFY 2022 Capitalization Grants, TDEC will contact all communities with projects on the 2022 PRL with a funding **notification letter**
- Communities that do not respond to the funding notification letter or are not ready to proceed may be **bypassed**
- The term of the loan is a maximum of 30 years, or the useful life of the project whichever is shorter

CWSRF IUP: Financial & Technical Capacity

- As amended, by the Water Resources Reform Development Act (WRRDA), the CWA §603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to **develop and implement a fiscal sustainability plan (FSP) or certify that it has developed and implemented such a plan** prior to NTP
- SRF will assess the loan applicant's managerial, technical, and financial capacity prior to recommending the loan for approval to the **Tennessee Local Development Authority Board**
- SRF will not recommend approval of loans that cannot demonstrate **sufficient capacity to operate, maintain, and manage assets**

CWSRF IUP: Legislative Requirements

- The **Davis-Bacon** and related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.
- The **American Iron and Steel** (AIS) provision requires Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014.
- **Build America, Buy America (BABA) Act:** The Bipartisan Infrastructure Law Title IX, Subtitle A, Part 1 requires all federal equivalency projects, that are funded after May 14, 2022, met BABA requirements. BABA requires all of the iron, steel, manufactured products, and construction materials used in the project be produced in the United States. Iron and Steel products will still have to comply with AIS guidelines. For manufactured projects to meet BABA requirements, the cost of components that are mined, produced, or manufactured in the United States must be 55% or more of the total cost of all components, and does not include labor costs. Common construction materials include non-ferrous metals, plastic, and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables, glass (including optic glass), lumber, and drywall.

The AIS provision is a permanent requirement for all CWSRF projects. The America's Water Infrastructure Act of 2018 extends the AIS provision for DWSRF projects through Fiscal Year 2023.

CWSRF IUP: Legislative Requirements

Disadvantaged Business Enterprise (MBE)/Women's Business Enterprise (WBE) Goal

- Reporting is required for assistance agreements where funds are budgeted for construction, equipment, services and supplies with a cumulative total that exceed the threshold amount of \$250,000, including amendments and/or modifications. When reporting is required, all procurement actions are reportable, not just that portion which exceeds \$250,000.
- **Six good faith efforts:**
 - Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable
 - Make information on forthcoming opportunities available to DBEs
 - Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs
 - Encourage contracting with a consortium of DBEs when a contract is large
 - Use the services and assistance of the SBA and the Minority Business Development Agency of the Department of Commerce
 - If the prime contractor awards subcontracts, require the prime contractor to take action steps that support all good faith efforts

CWSRF IUP: EPA Reporting Requirements

- DBE report
- CWSRF Project Benefits Report (CBR)
- Annual Report (Section 606(d) of the CWA)

Competitive Interest Rates and Subsidy

Using the Ability To Pay Index

- Determine a community's financial capacity and economic position
- Creating a threshold for Principal (Loan) Forgiveness
- Setting SRF Determined Interest Rates
- Awarding Subsidy



CWSRF Ability To Pay Index

- The Ability To Pay Index (ATPI) is required for administration of SRF loans by the Water Resources Reform and Development Act (WRRDA) of 2014 (H.R. 3080)
- SRF and ECD (and other State partners) need a method for assessing community ability to pay for loans, grants, and other decision-making purposes
- With the updated ATPI, we are able to assess trends and update data annually to understand what is happening in TN communities

ATPI Criteria and Economic Trend Data

- WRRDA (2014) minimum criteria for assessing community ability to pay:
 - ✓ Population trend
 - ✓ Income
 - ✓ Unemployment
 - ✓ “Any other metrics”
- The 2022 ATPI includes multi-year trends on the following:
 - ✓ **Census Data** – Population trends, median household income, and food stamp dependence
 - ✓ **Economic Data** – Unemployment rates, poverty rates
 - ✓ **Financial Index** – revenues, debts, income, and expenditures

ATPI Webpage and Dashboard

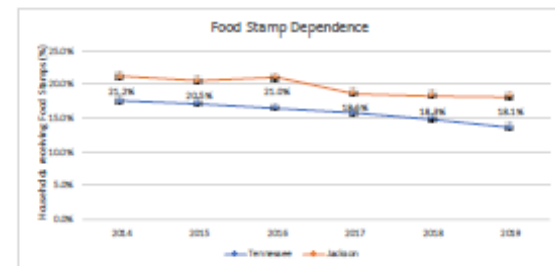
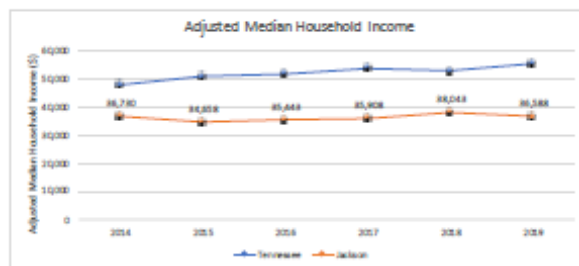
- Ability To Pay Index addition to the website
 - <https://www.tn.gov/environment/program-areas/wr-water-resources/srfp/srf-home/srf-subsidy-and-ability-to-pay-index.html>
 - OR google TDEC SRF
- List of city and county ATPI and population for years 2020, 2021 and 2022
- Subsidy
- SRF Determined Interest Rates
- Link to University of Tennessee ATPI dashboard
 - Interactive map where stakeholders can select their community, view and download information on the economic health of either cities or counties
 - Socio-economic chart that compares community selected to the TN average
 - Data based on the variables used to determine an ATPI value

Available for all Counties and Cities

Select County →	Jackson	Tennessee	Relative Trend	Tennessee
Change in Population (2010-2019)	1.7%	7.6%	Growth below state average	
Poverty Level (2019)	14.0%	11.1%	Above state average	
Unemployment Rate (2020)	7.5%	6.4%	Somewhat above state average	
Food Stamps (2019)	18.1%	13.6%	Above average reliance	
Adjusted Median Household Income (2019)	\$36,588	\$55,411	Very low MHI	

Jackson	2010	2019
Population	11,491	11,682
Adjusted Median Household Income	\$38,520	\$36,588

Ability to Pay Index
30



SFY 2023 Updates

- **Threshold for Principal Forgiveness**

- ATPI of 50 or less
- Maintains the threshold established in 2020
- Still captures more than 55% of TN communities

- **SRF Determined Interest Rate**

- $\text{SRF Base Rate} \times \text{ATPI Factor} = \text{SRF Determined Interest Rate}$
- Four ATPI Ranges
 - 0-20 = multiplier of 40%
 - 30-40 = multiplier of 60%
 - 50-60 = multiplier of 80%
 - 70 and above = multiplier of 100%
- The multipliers can be altered to reflect economic conditions on an annual basis per policy update

SRF Determined Interest Rates

June 2021 City SRF Determined Interest Rates							
SRF Base Rate (BR) Changes weekly		0.25%	0.68%	0.89%	1.03%	1.17%	1.25%
SRF Determined Interest Rate Based on 2021 ATPI		Loan Terms					
ATPI Range	ATPI Factor	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
0-20	BR * 40%	0.10%	0.27%	0.36%	0.41%	0.47%	0.50%
30-40	BR * 60%	0.15%	0.41%	0.53%	0.62%	0.70%	0.75%
50-60	BR * 80%	0.20%	0.54%	0.71%	0.82%	0.94%	1.00%
70-100	SRF Base Rate	0.25%	0.68%	0.89%	1.03%	1.17%	1.25%
SRF Awarded Interest Rate Based on 2021 ATPI		Loan Terms					

Small and Disadvantage Communities (SDC)

- Governor Bill Lee's Executive Order #1
- TDEC mission and priorities
- DWR mission and priorities



Target SRF on building opportunities for Small and Disadvantaged Communities (SDCs)– an effort to bring financial and technical assistance to SDCs with a focus on water quality, sustainability and resilience

Identify – Fund – Assist SDCs

- Improved mechanism of **identifying** small and disadvantaged communities (SDCs)
 - Development of the Ability To Pay Index (ATPI)
- Subsidy-develop a **funding** strategy for SDCs
 - SRF Interest Rates based on ATPI
 - Standard and Priority Project Principal Forgiveness
- **Assist** with specific project development
 - Provide direct and indirect **technical assistance**
 - Create **tools** SDCs can use
- Gather **data** on SDCs to better understand future needs



SRF Principal (Loan) Forgiveness for SDCs

- **CWSRF Base Capitalization Grant requires at least 10% of capitalization grant** dedicated to principal forgiveness
- **CWSRF BIL General Supplemental Grant requires 49% of capitalization grant** dedicated to principal forgiveness
- 20% standard principal (loan) forgiveness
 - Population must be 20,000 or less
 - ATPI of 50 or less
 - Must include construction
 - First come, first serve based on readiness to proceed
 - Maximum of \$2.5 million in principal forgiveness per project



SRF Principal (Loan) Forgiveness for SDCs (cont.)

- 50% BIL Funding principal (loan) forgiveness
 - Population must be 20,000 or less
 - ATPI of 50 or less
 - Must include construction
 - First come, first serve based on readiness to proceed
 - Maximum of \$5 million in principal forgiveness per project



Principal (Loan) Forgiveness for Planning and Design – Priority Projects and SDCs

- **50% loan forgiveness** not to exceed \$500,000 total project cost
 - Must be small and disadvantaged community
 - First come, first serve based on readiness to proceed
 - Planning and Design projects only

Asset Management Plan Principal (Loan) Forgiveness

- After some consultation with the Attorney General's Office and various offices within the Comptroller of the Treasury, we will be issuing either 100% principal forgiveness loans or grants.
- More to come as we continue to develop the roll out process.

Technical Assistance Program for SDCs

- Provide direct and indirect technical assistance with partner provider, Tennessee Association of Utility Districts
 - Workshops on timely topics
 - Planning and design reviews
 - Nutrient and energy optimization programs
 - TN Infrastructure Scorecard
 - Business Action Plans
 - Capital Improvement Plans

Other Subsidy: Green Project Reserve (GPR)

- Provide principal forgiveness
 - 20% of the loan; not to exceed \$2.5 million in principal forgiveness per project
- Examples of eligible project categories
 - Water Efficiency
 - Energy Efficiency
 - Green Infrastructure and Stormwater BMPs
 - Resilient, Sustainable, and Environmentally Innovative



Green Project Reserve Subsidy

- **EPA sets CWSRF minimum set aside is 10% of each cap grant**
- **TDEC has set** a goal for 18% of each capitalization grant to fund green projects

Eligibility

- Planning and design loans **are not eligible**
- 20% of project costs must be considered green
- All TN communities eligible
- Projects must have at least one green criteria
 - Increase water efficiency
 - Increase energy efficiency
 - Reduce storm water runoff
 - Recycle/reuse water
 - Production/use of clean energy
 - Establish or restore wetlands
 - Reduce, prevent, or remove non-point source pollution
 - Build system resiliency from an identified hazard while addressing one or more criteria above

Questions?

- Un-mute yourself to talk
 - If calling in, unmute by dialing *6
 - If using a WebEx application, use the mute/un-mute button
 - Red is muted, black is un-muted
- Please mute yourself after discussion to reduce background noise.
 - Dial *6 to mute or make sure the microphone button is red (muted)

Closing | How to Submit a Comment

- You may submit written comments until today **September 9, 2022, 4:30pm CST.**

Mr. Bakare at William R. Snodgrass – TN Tower, 312 Rosa L. Parks Ave. 12th Floor, Nashville, TN 37243;
or submitted via e-mail to adeniyi.r.bakare@tn.gov.

- All comments received by the deadline will be reviewed by the Division.



Department of
**Environment &
Conservation**

Thank you!



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State Revolving Fund Drinking Water Intended Use Plan Public Meeting

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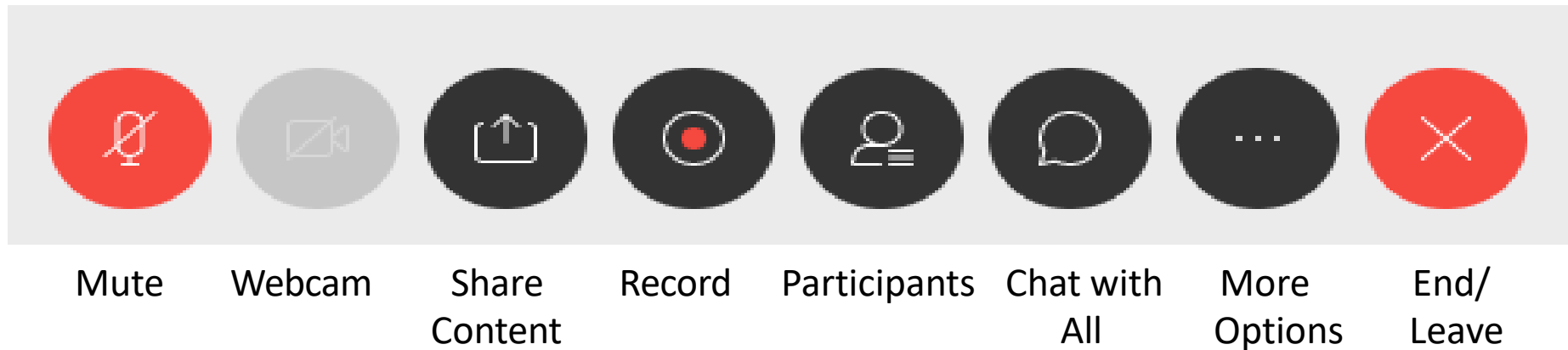
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Drinking Water SRF Intended Use Plan (IUP) FFY 2022/ SFY 2023

Public Meeting September 9, 2022

DWSRF IUP: Purpose

- Section 1452(b) of the SDWA requires each state to annually prepare an Intended Use Plan (IUP) to outline the use of grant funds awarded to the state and to describe how those uses support the goal of protecting public health and the environment.
- Explain intended use of DWSRF for FFY 2022 / SFY 2023
- Document important features of the program
- Provide for public review & comment (Comment period from August 9, 2022 – September 9, 2022)

DWSRF IUP: Program Overview

- The Drinking Water SRF is a federal-state partnership program to assist public water systems (PWS) in attaining safe and reliable drinking water created through the 1996 Amendments to the Safe Drinking Water Act (SDWA)
- The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low interest loans to local government to finance water infrastructure improvement projects
- The SRF program supports TDEC’s mission to protect and promote human health & safety, and to protect and improve water quality across the state by helping communities afford safe, sustainable and resilient water systems

DWSRF IUP: Document Content

- Long-term Goals
- Short-term Goals
- Priority Ranking System (including Priority Ranking List)
- Financial Status
- Criteria and Methods for Distribution of Funds
- Set-aside Activities
- FFY 2022 Appropriations Bill & Other Requirements

All documents will be posted on the SRF website:

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DWSRF IUP: Goals...

- **Ensure a safe and adequate water supply** for small communities through maximizing the small community participation in the DWSRF program
- Provide assistance for projects, to **facilitate compliance with national primary drinking water regulations under section 1412 of the SDWA** or otherwise significantly further the health protection objectives of the Act (section 1452(a)(2))
- Protect and enhance the water quality in Tennessee by ensuring the **technical integrity of funded projects**
- **Maintain the long-term financial integrity of the DWSRF program** through the judicious use and management of its assets and by realizing an adequate rate of return, preventing fraud, waste, and abuse
- Ensure the use of **accounting, audit, and fiscal procedures** that conform with General Accepted Accounting Principles (GAAP) as issued by the Government Accounting Standards Board (GASB)

DWSRF IUP: Short Term Goals

- Obligate funds in a timely manner and provide technical and administrative assistance for efficient project management.
- Use the DW SRF set-aside funds strategically and in coordination with the program loans to maximize the DW SRF loan account's impact on achieving affordable compliance and public health protection.
- Facilitate allocation of program resources to address the most significant public health and compliance problems by actively working with these systems and the drinking water regulatory staff.
- Promote the development of the technical, managerial, and financial capability of all PWS to maintain or come into compliance with state drinking water and federal SDWA requirements.
- Encourage the consolidation or regionalization of PWS that lack the capability to operate and maintain systems in a cost-effective manner, thus allowing them to take advantage of the economies of scale available to larger water systems.
- Provide drinking water assistance in an orderly and environmentally sound manner.
- Assure that all new water systems funded by the program demonstrate technical, managerial, and financial capability with respect to each national primary drinking water regulation in effect.

DWSRF IUP: FFY 2022 Cap Grant Summary

- The State of Tennessee's federal allotment for FFY 2022 Base DWSRF Capitalization Grant dollars is **\$12,172,000**; the State is required to provide a 20% match of federal funds in the amount of **\$2,434,400**
- The State of Tennessee's federal allotment for FFY 2022 DWSRF Bipartisan Infrastructure Law (BIL) General Supplemental Capitalization Grant dollars is **\$31,253,000**; the State is required to provide a 10% match of federal funds in the amount of **\$3,125,300**
- Carry forward from the prior SFY **\$66,869,208**, coupled with the available funds from the FFY 2022 Capitalization Grant and principal and interest received from past SRF loans allows for up to **\$138,265,400** in potential loan awards.
- Additionally, the State has applied for set-aside dollars through the BIL Lead Service Line Capitalization Grant in the amount of **\$7,857,119** to provide program implementation including but not limited to LSL inventory, planning grants, and direct and indirect technical assistance.

DWSRF IUP: Financial Status

Financial Status of the DW SRF Loan Program for SFY 2023

Prior-Year (SFY 2022) Carry-forward Funds		\$ 66,869,208
FFY 2022 Capitalization Grant		12,172,000
FFY 2022 BIL Supplemental Capitalization Grant		31,253,000
20% of FFY 2022 Capitalization Grant matched by State		2,434,400
10% of FFY 2022 BIL Supplemental Capitalization Grant matched by State		3,125,300
Less: Set-asides		
4% Administration - General Capitalization Grant	(486,880)	
4% Administration - BIL Supplemental Capitalization Grant	(1,250,120)	
7.5% State Program Management	(2,353,373)	
Public Water Supply Supervision (PWSS) - BIL Supplemental Capitalization Grant		
2% State Program Management	(612,016)	
Operator Certification - BIL Supplemental Capitalization Grant		
1.9% Small System Technical Assistance (SMS) - BIL Supplemental Capitalization Grant	(578,199)	
1.7% Local Assistance - Sourcewater Protection - BIL Supplemental Capitalization Grant	(519,744)	
Subtotal Set-asides		(5,800,332)
Principal repayments and Loan Revenue *		\$26,668,433
Loan Interest Income*		\$1,482,397
Treasury Interest Income*		\$60,994
Total DWSRF Loan Program Project Funds Available		\$ 138,265,400
* Estimated Principal, Interest, and Treasury Interest for SFY 2022		

DWSRF IUP: Set-aside Activities

- As authorized by the Safe Drinking Water Act §1452(g) and §1452(k), the DWSRF program plans to use approximately **\$5,800,332** in federal funding for eligible set-aside activities

Capitalization Grant	Division and Program	Set Aside %	Activities	Funds
BIL General Supplemental Capitalization Grant	DWR/SRF	4% Administration	DWSRF Loan Program administration, and database development	1,250,120
	DWR/Drinking Water Unit	7.5% State Program Management - Public Water System Supervision (PWSS)	Sanitary surveys, investigation, publications, laboratory support & certification	2,353,373
	DWR/FTC	2% State Program Management - Operator Certification	Operator certification program and database development	612,016
	DWR/FTC	1.9% Small System Technical Assistance (SMS)	Regulatory compliance, technical assistance to small communities	578,199
	DWR	1.7% Local Assistance	Source water protection, wellhead protection, CDP grant program development, source water protection loan program development	519,744
	TOTALS			\$ 5,313,452
Base Capitalization Grant	DWR / SRF	4% Administration	DWSRF Loan Program administration, and database development	486,880
	TOTALS			\$ 5,800,332

DWSRF IUP: Priority Ranking System

- Solicitation for the DWSRF Priority Ranking List occurs in **February** and **September**
- Applicants seeking funding must submit a DWSRF Questionnaire containing: detailed project description, project need, total project cost, projected construction start and completion dates, requested loan amount, and term of the loan
- Projects are prioritized (**Priority Ranking List**) by those that address reducing risks to human health or those working to maintain or improve compliance with SDWA
- Projects are scored from 0-100, with highest scores given to those that address serious, acute risks to human health
- Projects with the same scores will be ranked based on consideration of **Ability to Pay Index (ATPI)** and population served to assist smaller and less affluent communities

DWSRF IUP: Eligible Projects

Eligible Drinking Water Project Categories

- Water Quality Issues
- Source or Capacity Challenges
- Water Storage
- Leakage Problems
- Pressure Issues
- Replacement or Rehabilitation Needs
- Water Line Extensions
- Regional Drinking Water Consolidation
- New Drinking Water Systems

Projects and activities *not* eligible for funding and primarily intended for the following:

- Future growth
- Economic development
- Fire protection
- Laboratory fees for monitoring
- Operation and maintenance expenses

DWSRF IUP: Funding Projects

- Projects are ranked based on the highest number of priority points awarded on the **2022 DWSRF Priority Ranking List (PRL)** (Section 1452(b) of the SDWA)
- SRF gives priority to communities with projects that are **ready to proceed**
- Upon receipt of the FFY 2022 Capitalization Grants, TDEC will contact all communities with projects on the 2022 PRL with a funding **notification letter**
- Communities that do not respond to the funding notification letter or are not ready to proceed may be **bypassed**
- The term of the loan is a maximum of 30 years (**America's Water Infrastructure Act - AWIA 2018**), or the useful life of the project whichever is shorter

DWSRF IUP: Financial & Technical Capacity

- The State is required under Section 1452(a) (3) of the SDWA to develop a process to **assess the technical, financial, and managerial capacity of water systems before a loan can be awarded**
- SRF loan applicants in significant noncompliance will be required to demonstrate to the DWSRF Loan Program that the proposed DWSRF project will ensure **compliance** (SDWA §1452 (3)(B) (i-ii))
- SRF will assess the loan applicant's managerial, technical, and financial capacity prior to recommending the loan for approval to the **Tennessee Local Development Authority Board**
- SRF will not recommend approval of loans that cannot demonstrate **sufficient capacity to operate, maintain, and manage assets**

DWSRF IUP: Legislative Requirements

- The **Davis-Bacon** and related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.
- The **American Iron and Steel** (AIS) provision requires Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014.
- **Build America, Buy America (BABA) Act:** The Bipartisan Infrastructure Law Title IX, Subtitle A, Part 1 requires all federal equivalency projects, that are funded after May 14, 2022, met BABA requirements. BABA requires all of the iron, steel, manufactured products, and construction materials used in the project be produced in the United States. Iron and Steel products will still have to comply with AIS guidelines. For manufactured projects to meet BABA requirements, the cost of components that are mined, produced, or manufactured in the United States must be 55% or more of the total cost of all components, and does not include labor costs. Common construction materials include non-ferrous metals, plastic, and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables, glass (including optic glass), lumber, and drywall.

The AIS provision is a permanent requirement for all CWSRF projects. The America's Water Infrastructure Act of 2018 extends the AIS provision for DWSRF projects through Fiscal Year 2023.

DWSRF IUP: Legislative Requirements

Disadvantaged Business Enterprise (MBE)/Women's Business Enterprise (WBE) Goal

- Reporting is required for assistance agreements where funds are budgeted for construction, equipment, services and supplies with a cumulative total that exceed the threshold amount of \$250,000, including amendments and/or modifications. When reporting is required, all procurement actions are reportable, not just that portion which exceeds \$250,000.
- **Six good faith efforts:**
 - Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable
 - Make information on forthcoming opportunities available to DBEs
 - Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs
 - Encourage contracting with a consortium of DBEs when a contract is large
 - Use the services and assistance of the SBA and the Minority Business Development Agency of the Department of Commerce
 - If the prime contractor awards subcontracts, require the prime contractor to take action steps that support all good faith efforts

DWSRF IUP: EPA Reporting Requirements

- DBE report
- DWSRF Project Benefits Report (PBR)
- Annual Report (Section 1452 of the SDWA)

Competitive Interest Rates and Subsidy

Using the Ability To Pay Index

- Determine a community's financial capacity and economic position
- Creating a threshold for Principal (Loan) Forgiveness
- Setting SRF Determined Interest Rates
- Awarding Subsidy



DWSRF Ability To Pay Index

- The Ability To Pay Index (ATPI) is required for administration of SRF loans by the Water Resources Reform and Development Act (WRRDA) of 2014 (H.R. 3080)
- SRF and ECD (and other State partners) need a method for assessing community ability to pay for loans, grants, and other decision-making purposes
- With the updated ATPI, we are able to assess trends and update data annually to understand what is happening in TN communities

ATPI Criteria and Economic Trend Data

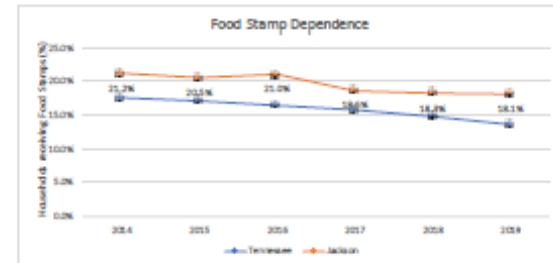
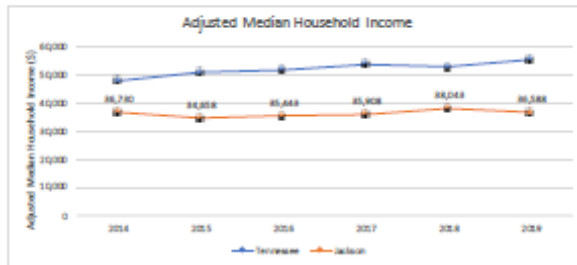
- WRRDA (2014) minimum criteria for assessing community ability to pay:
 - ✓ Population trend
 - ✓ Income
 - ✓ Unemployment
 - ✓ “Any other metrics”
- The 2022 ATPI includes multi-year trends on the following:
 - ✓ **Census Data** – Population trends, median household income, and food stamp dependence
 - ✓ **Economic Data** – Unemployment rates, poverty rates
 - ✓ **Financial Index** – revenues, debts, income, and expenditures

ATPI Webpage and Dashboard

- Ability To Pay Index addition to the website
 - <https://www.tn.gov/environment/program-areas/wr-water-resources/srfp/srf-home/srf-subsidy-and-ability-to-pay-index.html>
 - OR google TDEC SRF
- List of city and county ATPI and population for years 2020, 2021 and 2022
- Subsidy
- SRF Determined Interest Rates
- Link to University of Tennessee ATPI dashboard
 - Interactive map where stakeholders can select their community, view and download information on the economic health of either cities or counties
 - Socio-economic chart that compares community selected to the TN average
 - Data based on the variables used to determine an ATPI value

Available for all Counties and Cities

Select County →	Jackson	Tennessee	Relative Trend	Tennessee
Change in Population (2010-2019)	1.7%	7.6%	Growth below state average	
Poverty Level (2019)	14.0%	11.1%	Above state average	
Unemployment Rate (2020)	7.5%	6.4%	Somewhat above state average	
Food Stamps (2019)	18.1%	13.6%	Above average reliance	
Adjusted Median Household Income (2019)	\$36,588	\$55,411	Very low MHI	
Jackson	2010	2019	Ability to Pay Index	
Population	11,491	11,682	30	
Adjusted Median Household Income	\$38,520	\$36,588		



SFY 2023 Updates

- **Threshold for Principal Forgiveness**

- ATPI of 50 or less
- Maintains the threshold of 50 from 2020
- Still captures more than 55% of TN communities

- **New SRF Determined Interest Rate**

- $\text{SRF Base Rate} \times \text{ATPI Factor} = \text{SRF Determined Interest Rate}$
- Four ATPI Ranges
 - 0-20 has multiplier of 40%
 - 30-40 = multiplier of 60%
 - 50-60 = multiplier of 80%
 - 70 and above = multiplier of 100%
- The multipliers can be altered to reflect economic conditions on an annual basis per policy update

SRF Determined Interest Rates

June 2021 City SRF Determined Interest Rates							
SRF Base Rate (BR) Changes weekly		0.25%	0.68%	0.89%	1.03%	1.17%	1.25%
SRF Determined Interest Rate Based on 2021 ATPI		Loan Terms					
ATPI Range	ATPI Factor	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
0-20	BR * 40%	0.10%	0.27%	0.36%	0.41%	0.47%	0.50%
30-40	BR * 60%	0.15%	0.41%	0.53%	0.62%	0.70%	0.75%
50-60	BR * 80%	0.20%	0.54%	0.71%	0.82%	0.94%	1.00%
70-100	SRF Base Rate	0.25%	0.68%	0.89%	1.03%	1.17%	1.25%
SRF Awarded Interest Rate Based on 2021 ATPI		Loan Terms					

Small and Disadvantage Communities (SDC)

- Governor Bill Lee's Executive Order #1
- TDEC mission and priorities
- DWR mission and priorities



Target SRF on building opportunities for Small and Disadvantaged Communities (SDCs)– an effort to bring financial and technical assistance to SDCs with a focus on water quality, sustainability and resilience

Identify – Fund – Assist SDCs

- Improved mechanism of **identifying** small and disadvantaged communities (SDCs)
 - Development of the Ability To Pay Index (ATPI)
- Subsidy-develop a **funding** strategy for SDCs
 - SRF Interest Rates based on ATPI
 - Standard and Priority Project Principal Forgiveness
- **Assist** with specific project development
 - Provide direct and indirect **technical assistance**
 - Create **tools** SDCs can use
- Gather **data** on SDCs to better understand future needs



SRF Principal (Loan) Forgiveness for SDCs

- **EPA requires DWSRF dedicate at least 12% of capitalization grant** to principal forgiveness for disadvantaged communities
- **DWSRF BIL General Supplemental Grant requires 49% of capitalization grant** dedicated to principal forgiveness for disadvantaged communities
- 20% standard principal (loan) forgiveness
 - Population served must be 20,000 or less
 - ATPI of 50 or less
 - Must include construction
 - First come, first serve based on readiness to proceed



SRF Principal (Loan) Forgiveness for SDCs (cont.)

- 50% BIL Funding principal (loan) forgiveness
 - Population served must be 20,000 or less
 - ATPI of 50 or less
 - Must include construction
 - First come, first serve based on readiness to proceed
 - Maximum of \$5 million in principal forgiveness per project



Asset Management Plan Principal (Loan) Forgiveness

- After some consultation with the Attorney General's Office and various offices within the Comptroller of the Treasury, we will be issuing either 100% principal forgiveness loans or grants.
- More to come as we continue to develop the roll out process.

Principal (Loan) Forgiveness for Planning and Design – Priority Projects for SDCs

- **50% loan forgiveness** not to exceed \$500,000 total project cost
 - Must be small and disadvantaged community
 - First come, first serve based on readiness to proceed
 - Planning and Design projects only

Technical Assistance Program for SDCs

- Provide direct and indirect technical assistance with partner provider, Tennessee Association of Utility Districts
 - Workshops on timely topics
 - Planning and design reviews
 - Nutrient and energy optimization programs
 - TN Infrastructure Scorecard
 - Business Action Plans
 - Capital Improvement Plans

Other Subsidy: Green Project Reserve (GPR)

- Provide principal forgiveness
 - 20% of the loan; not to exceed \$2.5 million in principal forgiveness per project
- Examples of eligible project categories
 - Water Efficiency
 - Energy Efficiency
 - Green Infrastructure and Stormwater BMPs
 - Resilient, Sustainable, and Environmentally Innovative



Green Project Reserve Subsidy

- EPA allows states to establish funding amounts for GPR at the state's discretion
- **TDEC SRF** has a **goal** for 18% of each capitalization grant to fund green projects

Eligibility

- Planning and design loans **are not eligible**
- 20% of project costs must be considered green
- All TN communities eligible
- Projects must have at least one green criteria
 - Increase water efficiency
 - Increase energy efficiency
 - Reduce storm water runoff
 - Recycle/reuse water
 - Production/use of clean energy
 - Establish or restore wetlands
 - Reduce, prevent, or remove non-point source pollution
 - Build system resiliency from an identified hazard while addressing one or more criteria above

Questions?

- Un-mute yourself to talk
 - If calling in, unmute by dialing *6
 - If using a WebEx application, use the mute/un-mute button
 - Red is muted, black is un-muted
- Please mute yourself after discussion to reduce background noise.
 - Dial *6 to mute or make sure the microphone button is red (muted)

Closing | How to Submit a Comment

- You may submit written comments until today
September 9, 2022, 4:30pm CST.

Mr. Bakare at William R. Snodgrass – TN Tower, 312 Rosa L. Parks Ave. 12th Floor, Nashville, TN 37243;

or submitted via e-mail to adeniyi.r.bakare@tn.gov.

- All comments received by the deadline will be reviewed by the Division.



Department of
**Environment &
Conservation**

Thank you!