

**DRAFT MEMORANDUM**

DATE:

TO:                    John Madras, Director  
                          Water Protection Program

THROUGH:         Eric Crawford, Director  
                          Financial Assistance Center

FROM:                Emily Carpenter  
                          Financial Assistance Center

SUBJECT:            Clean Water State Revolving Fund Additional Subsidization Affordability  
                          Analysis

Pursuant to the Federal Water Pollution Control Act (FWPCA) as amended, the Missouri Department of Natural Resources' (department) is required to establish affordability criteria for the Clean Water State Revolving Fund program no later than September 30, 2015.

Background

On June 10, 2014, President Obama signed into law the Water Resources and Development Act of 2014 (WRRDA). Among its provisions are amendments to Titles I, II, V, and VI of the FWPCA. These amendments affected the Clean Water State Revolving Funding program.

As amended, the FWPCA now includes section 603(i) and reads:

(i) **ADDITIONAL SUBSIDIZATION.**—

(1) **IN GENERAL.**—In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d) the State may provide additional subsidization, including forgiveness of principal and negative interest loans—

(A) to benefit a municipality that—

(i) meets the affordability criteria of the State established under paragraph (2);  
or

(ii) does not meet the affordability criteria of the State if the recipient—

(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

- (II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and
  - (III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate system (or other appropriate method) to such ratepayers; or
  - (B) to implement a process, material, technique, or technology—
    - (i) to address water-efficiency goals;
    - (ii) to address energy-efficiency goals;
    - (iii) to mitigate stormwater runoff; or
    - (iv) to encourage sustainable project planning, design, and construction.
- (2) AFFORDABILITY CRITERIA.—
- (A) ESTABLISHMENT.—
    - (i) IN GENERAL.—Not later than September 30, 2015, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under subsection (c)(1) if additional subsidization is not provided.
    - (ii) CONTENTS.—The criteria under clause (i) shall be based on income and unemployment data, population trends, and other data determined by the State, including whether the project or activity is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).
  - (B) EXISTING CRITERIA.—If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A)—
    - (i) the State may use the criteria for the purposes of this subsection; and
    - (ii) those criteria shall be treated as affordability criteria established under this paragraph.
  - (C) INFORMATION TO ASSIST STATES.—The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).
- (3) LIMITATIONS.—
- (A) IN GENERAL.—A State may provide additional subsidization in a fiscal year under this subsection only if the total amount appropriated for making capitalization grants to all States under this title for the fiscal year exceeds \$1,000,000,000.
  - (B) ADDITIONAL LIMITATION.—

(i) GENERAL RULE.—Subject to clause (ii), a State may use not more than 30 percent of the total amount received by the State in capitalization grants under this title for a fiscal year for providing additional subsidization under this subsection.

(ii) EXCEPTION.—If, in a fiscal year, the amount appropriated for making capitalization grants to all States under this title exceeds \$1,000,000,000 by a percentage that is less than 30 percent, clause (i) shall be applied by substituting that percentage for 30 percent.

(C) APPLICABILITY.—The authority of a State to provide additional subsidization under this subsection shall apply to amounts received by the State in capitalization grants under this title for fiscal years beginning after September 30, 2014.

(D) CONSIDERATION.—If the State provides additional subsidization to a municipality or intermunicipal, interstate, or State agency under this subsection that meets the criteria under paragraph (1)(A), the State shall take the criteria set forth in section 602(b)(5) into consideration.

The Environmental Protection Agency has issued two interpretive guidance documents regarding WRRDA on September 18, 2014 and January 6, 2015.

Missouri must establish affordability criteria by September 30, 2015 including an opportunity for public comment and a public notice period. The department may offer additional subsidization in the form of grant funds to applicants identified by the affordability criteria as having a significant hardship financing the proposed clean water infrastructure project. The affordability analysis must include the applicant’s income, unemployment data, population trends, and other data determined relevant by the department.

The department may provide the following percentage of their federal capitalization grant as SRF additional subsidization as shown in Table 1-0 below.

TABLE 1-0. State Percentage of SRF Additional Subsidization of Federal Capitalization Grant

Total Federal Appropriation Amount	State SRF Additional Subsidization Percentage
≤ \$1,000,000,000	0%
\$1,000,000,000 – \$1,300,000,000	A percentage equal to the percentage by which the appropriation exceeds \$1 billion (e.g. \$1.1 billion = 10%)
≥ \$1,300,000,000	30%

#### Missouri Cost Analysis for Compliance

In 2011, House Bill 89 required the department to adopt procedures to determine whether a permit or enforcement decision is affordable and make a finding of affordability for each permit or enforcement decision related to combined or separate sanitary sewer systems or publically owned treatment works in accordance with Section 644.145 RSMo.

The department issued an interim procedure on affordability on September 12, 2011. Since that time, stakeholder meetings were held to discuss the affordability procedure. On September 17, 2014, the department issued a guidance document for conducting and developing a “Cost Analysis For Compliance” (CAFCom) previously known as an “Affordability Analysis”. The department continues to host stakeholder meetings to refine the affordability process. At present, the department is proposing a rule amendment to 10 CSR 20-6.010 to incorporate the requirement to conduct a CAFCom.

The CAFCom evaluates many socioeconomic factors to determine the financial burden of a community to implement upgrades to the collection system or wastewater treatment facility. The CAFCom includes but is not limited to the following statistics:

- Median household income (MHI);
- Percent unemployment; and
- Percent population growth/decline.

#### Clean Water SRF Additional Subsidization Affordability Analysis

The Financial Assistance Center has chosen to develop an affordability process, guidance, and template titled Clean Water SRF Additional Subsidization Affordability Analysis. This analysis was developed by applying portions of the CAFCom deemed practicable. Staff will utilize some of the same tools and data as used to develop CAFComs. However, the purpose and determinations of these two affordability analyses are not equivalent. Attached is the “Guidance for Conducting and Developing a Clean Water State Revolving Fund Additional Subsidization Affordability Analysis” and the template “Clean Water State Revolving Fund Additional Subsidization Affordability Analysis”.

The department has adopted and expanded the Financial Capability Indicator Table (see Table 2-0) as described in the Environmental Protection Agency’s (EPA) “Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development”. The department has added the following indicators to the Financial Capability Indicator Table:

- Percent population growth/decline;
- Percent of households in poverty; and
- Percent of households relying on food stamps.

The Financial Capability Indicator Table coupled with these additional indicators satisfies the requirements of the FWPCA and provides supplementary socioeconomic Missouri specific indicators. In the Financial Capability Indicator Table as shown in Table 2-0, a score of one through three is assigned to the financial benchmark of weak, mid-range, or strong. Each indicator is assumed to be of equal weight. The average score is calculated by the sum of the known values in the Score column and divided by the number of entries.

TABLE 2-0. Financial Capability Indicator Table

Indicators	Strong (3 points)	Mid-Range (2 points)	Weak (1 point)	Score
Bond Rating Indicator	Above BBB or Baa	BBB or Baa	Below BBB or Baa	
Overall Net Debt as a % of Full Market Property Value	Below 2%	2% - 5%	Above 5%	
Unemployment Rate	>1% below Missouri average	± 1% of Missouri average	>1% above Missouri average	
Median Household Income	More than 25% above Missouri MHI	± 25% of Missouri MHI	More than 25% below Missouri MHI	
Percent Population Growth/Decline	>10% above Missouri average	± 10% of Missouri average	>10% below Missouri average	
Percent of Households in Poverty	>10% below Missouri average	± 10% of Missouri average	>10% above Missouri average	
Percent of Households Relying on Food Stamps	>5% below Missouri average	± 5% of Missouri average	>5% above Missouri average	
Property Tax Revenues as a % of Full Market Property Value	Below 2%	2% - 4%	Above 4%	
Property Tax Collection Rate	Above 98%	94% - 98%	Below 94%	

Implementation

Once a SRF application is received by the department, staff will determine whether a Clean Water SRF Additional Subsidization Affordability Analysis will be performed based upon the condition that the proposed user rate is equal to or greater than one percent of the applicant’s MHI. The department intends to use this analysis to identify applicants with projects that result in a high financial burden. Applicants with a user rate less than one percent of their MHI are

unable to receive a high financial burden rating according to the Financial Capability Matrix (see Table 3-0) and in the Clean Water SRF Additional Subsidization Affordability Analysis and originating from the EPA’s “Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development”.

TABLE 3-0. Financial Capability Matrix

Financial Capability Indicators Score	Residential Indicator (User cost as a % of MHI)		
	Low (Below 1%)	Mid-Range (Between 1.0% and 2.0%)	High (Above 2.0%)
Weak (below 1.5)	Medium Burden	High Burden	High Burden
Mid-Range (1.5 – 2.5)	Low Burden	Medium Burden	High Burden
Strong (above 2.5)	Low Burden	Medium Burden	High Burden

Applicants with a high financial burden determination may be qualified for additional subsidization subject to other eligibility requirements and to the availability of grant funds as described in the current version of the Clean Water SRF Intended Use Plan.

The MHI is found using the American Community Survey conducted by the U.S. Census Bureau. In some cases, a community may believe the American Community Survey did not accurately reflect the demographics of their community. If an applicant submits a United States Department of Agriculture Rural Development or Missouri Department of Economic Development’s Community Development Block Grant approved income survey, the income value will replace the reported MHI in the Clean Water SRF Additional Subsidization Affordability Analysis. Currently, the department does not have a policy or procedure to determine or review and approve income surveys.

Each Clean Water SRF Additional Subsidization Affordability Analysis is project specific. Therefore, an applicant with multiple active SRF applications will receive a Clean Water SRF Additional Subsidization Affordability Analysis for each submitted SRF application/project.

Department staff will request applicants to complete the Financial Questionnaire form, available online at [dnr.mo.gov/forms/780-2511-f.pdf](http://dnr.mo.gov/forms/780-2511-f.pdf). This form is an opportunity for an applicant to present the department with their current financial and socioeconomic situation. Any applicant may elect to waive the Clean Water SRF Additional Subsidization Affordability Analysis by notifying the department in writing.

After a “complete” facility plan has been received and the applicant has provided documentation of an acceptable debt instrument, staff will draft a Clean Water SRF Additional Subsidization Affordability Analysis. A facility plan is considered “complete” once item Nos. 1 – 4 are accomplished on the Facilities Plan Submittal Checklist form, available online at [dnr.mo.gov/forms/780-2041-f.pdf](http://dnr.mo.gov/forms/780-2041-f.pdf). A “complete” facility plan should not be construed as an

approvable facility plan. The environmental requirements of 10 CSR 20-4.050 and the public meetings and hearings are necessary prior to facility plan approval.

A “complete” facility plan and an acceptable debt instrument demonstrate an applicant’s readiness to proceed. It is at this time, the department makes a request to the Clean Water Commission to place an applicant on a Fundable List of the Clean Water Intended Use Plan in accordance with 10 CSR 20-4.010(2)(A).

Typically, a user rate is based on the standard 5,000 gallons per month. Some applicants in seasonal areas or areas with an aging population may experience average customer water use less than 5,000 gallons per month. Applicants may request a lower average water use as a basis for their user rate. However, the lower water use must be documented by at least one year of water use records for all users. If the proposed project includes expansion of the service area, the water user records for those future users must also be included.

Section 603(d)(1)(A) of the FWPCA allows SRF loan terms extended up to 30 years, but must not exceed the useful life of the project. In the past, most SRF loans terms were fixed at 20 years. Applicants must provide the department with documentation of the number of years of useful life of the proposed project. For purposes of the Clean Water SRF Additional Subsidization Affordability Analysis, the loan term will be the shorter of 20 years or the useful life of the proposed project.

Staff will provide the applicant with a 30 day pre-review period in order to obtain comments. Applicants may request a reasonable time extension with justification during the 30 day pre-review period. Following the pre-review period, staff will finalize the Clean Water SRF Additional Subsidization Affordability Analysis and send a copy to the applicant and retain a copy for the project file.

When plans and specifications are received, staff will reevaluate the affordability determination to ascertain the following:

- A change in the applicant’s economic conditions;
- A substantial change to the proposed scope of work; or
- Five or more years have elapsed between the last Clean Water SRF Additional Subsidization Affordability Analysis and receiving the plans and specifications.

If no change is evident and less than five years has elapsed, staff will make note of this evaluation in the project file. However if there has been a material alteration, staff will draft an updated Clean Water SRF Additional Subsidization Affordability Analysis as instructed above.

Nothing in the department’s Clean Water SRF Additional Subsidization Affordability Analysis removes any obligations to comply with 10 CSR 20-4.040 or any other department regulations and requirements. The finalized Clean Water SRF Additional Subsidization Affordability

Analysis does not singly determine nor guarantee whether the department will enter into a binding commitment for a SRF loan or additional subsidization with an applicant.

The department plans to incorporate the affordability criteria conditions in a rule amendment of 10 CSR 20-4.040, "State Revolving Fund General Assistance Regulation", in the future.

Stakeholder Meetings

Three stakeholder meetings have or will occur to discuss the draft policy and implementation for Clean Water SRF projects. The dates for these meetings are as follows: May 20, 2015, June 17, 2015, and July 29, 2015.

Public Notice Period

The department will provide a 30 day public notice period for public comments beginning July 6, 2015. Persons wishing to comment on the proposed policy are invited to submit them in writing to Mrs. Emily Carpenter, Missouri Department of Natural Resources, Financial Assistance Center, P.O. Box 176, Jefferson City, MO 65102-0176. E-mail comments will be accepted at the following address: [DNR.SRFPublicNotice@dnr.mo.gov](mailto:DNR.SRFPublicNotice@dnr.mo.gov). All comments must be received or postmarked by 5:00 p.m. on August 5, 2015.

Comments should be confined to the issues related to the proposed policy. The department will consider all written comments in preparation for the final policy decision.

Questions regarding this memorandum can be directed to Mrs. Emily Carpenter of the Water Protection Program at (573) 751-6569 or [emily.carpenter@dnr.mo.gov](mailto:emily.carpenter@dnr.mo.gov).

EC:

c: Financial Assistance Center

Attachments

## ATTACHMENT 1

### **Guidance for Conducting and Developing a Clean Water State Revolving Fund Additional Subsidization Affordability Analysis**

#### **Requirement:**

The Federal Water Pollution Control Act (FWPCA) section 603(i) requires the Department of Natural Resources' (department) to develop affordability criteria and an implementation procedure. Clean Water State Revolving Fund (SRF) additional subsidizations may only be granted to those applicants for whom the department has made an affordability determination. The affordability criteria must include income, unemployment data, population trends, and other data determined relevant by the department.

#### **Purpose:**

This guidance document provides a uniform and consistent approach to conducting a Clean Water SRF Additional Subsidization Affordability Analysis to meet federal requirements. Preparing and finalizing a Clean Water SRF Additional Subsidization Affordability Analysis provides the department with the option to expend federal capitalization grant funds as additional subsidization to applicants who qualify.

Definitions are provided in this guidance document for terms that may be used in template to ensure consistency.

#### **Process:**

The department will use the format described within this document to develop the Clean Water SRF Additional Subsidization Affordability Analysis.

The analysis will be based on reasonably verifiable data. A draft Clean Water SRF Additional Subsidization Affordability Analysis will be completed by staff and shared with the applicant for a pre-review for a period of 30 days. Applicants may request a reasonable time extension with justification during the 30 day pre-review period. Applicants may provide written comments on the draft analysis. A final Clean Water SRF Additional Subsidization Affordability Analysis will be provided to the applicant after considering and incorporating relevant comments and additional information.

#### **Format:**

A draft template format to serve as a basis for consistent Clean Water SRF Additional Subsidization Affordability Analysis is included as Attachment 2.

### **Clean Water State Revolving Fund Loan Application:**

The first step by the applicant is the submittal of the Clean Water State Revolving Fund Loan Application, available online at [dnr.mo.gov/forms/780-1951-f.pdf](http://dnr.mo.gov/forms/780-1951-f.pdf). The application will be reviewed by staff to determine the applicant's potential to receive SRF funding.

### **Acceptable Debt Instrument:**

The applicant must provide documentation of an acceptable debt instrument. An acceptable debt instrument includes, but is not limited to, general obligation bonds, revenue bonds, and/or an annually appropriated debt structure approved by the department and the Environmental Improvement and Energy Resources Authority.

### **Facility Plan:**

A "complete" facility is provided by the applicant and their engineering consultant. A facility plan is considered "complete" once item Nos. 1 – 4 are accomplished on the Facilities Plan Submittal Checklist form, available online at [dnr.mo.gov/forms/780-2041-f.pdf](http://dnr.mo.gov/forms/780-2041-f.pdf). A "complete" facility plan should not be construed as an approvable facility plan. The environmental requirements of 10 CSR 20-4.050 and the public meetings and hearings are necessary prior to facility plan approval. A "complete" facility plan demonstrates one portion of an applicant's readiness to proceed.

The facility plan describes the purpose of the project, analyzes alternatives, states the recommended project alternative, and includes the preliminary design, estimated costs, and the proposed user rate.

A "complete" facility plan and an acceptable debt instrument demonstrate an applicant's readiness to proceed. It is at this time, the department will make a request to the Clean Water Commission to place an applicant on a Fundable List of the Clean Water Intended Use Plan in accordance with 10 CSR 20-4.010(2)(A).

### **User Rate:**

A user rate is defined as the cost for the use of a wastewater collection system, wastewater treatment facility, and ultimate disposal. Typically, this cost is billed by a utility to each connection, or household, on a monthly basis. The utility should design the user rate system to produce adequate revenues required for operation and maintenance (including replacement) and debt repayment.

The Clean Water State Revolving Fund Loan Application form requests submittal of the proposed user rate based on 5,000 gallons per customer per month. In addition, the facility plan should include the proposed user rate. The Clean Water SRF process also requires the following:

- Draft user rate methodology;
- Draft user charge rate ordinance; and

- User rate public hearing.

If there is a discrepancy between any of the available proposed user rates, staff will contact the applicant to verify the most recent and agreed upon proposed user rate.

The department has developed the Clean Water State Revolving Fund Rate Assist Program to help applicants create a user rate methodology and a sustainable user rate. The Rate Assist Program is a Microsoft Excel® spreadsheet and is available online at [dnr.mo.gov/env/wpp/srf/wastewater-project-guidance.htm](http://dnr.mo.gov/env/wpp/srf/wastewater-project-guidance.htm).

The draft user charge rate ordinance must comply with 10 CSR 20-4.040(17). The department will review and approve this ordinance prior to adoption. An example draft user charge rate ordinance is available online at [dnr.mo.gov/env/wpp/srf/wastewater-project-guidance.htm](http://dnr.mo.gov/env/wpp/srf/wastewater-project-guidance.htm).

The applicant must host a public hearing to address the proposed user rate. The public hearing notice must be published at least 30 days prior to the meeting date. The applicant must prepare and submit a transcript or complete record of the hearing to the department. Refer to 10 CSR 20-4.040(14)(B) for more information.

An applicant may propose a user rate based on less than the standard 5,000 gallons per customer per month. However, the lower water use must be documented by at least one year of water use records for all users. If the proposed project includes expansion of the service area, the water user records for those future users must also be included.

#### **Financial Questionnaire Form:**

Prior to developing the Clean Water SRF Additional Subsidization Affordability Analysis, staff will request the applicant to submit the Financial Questionnaire form, available online at [dnr.mo.gov/forms/780-2511-f.pdf](http://dnr.mo.gov/forms/780-2511-f.pdf). Staff may contact the applicant and request additional information should the Financial Questionnaire form be incomplete.

Staff shall scan the completed and signed Financial Questionnaire form. Staff will make a copy available on the department's internal Permits drive under the appropriate Missouri State Operating Permit number.

#### **State Revolving Fund System Database:**

The department maintains an internal web-based State Revolving Fund System database to track active and completed Clean Water and Drinking Water SRF projects. Information in this database includes, but is not limited to: project status, financing, awarded contracts, and loan repayments. Staff will use this tool for sections (2) and (3) of the template.

#### **FAC Demographics Tool:**

The department has developed the Financial Assistance Center (FAC) Demographics Tool by means of Microsoft Excel®. This tool will provide key statistical information (census data,

unemployment data, etc.). Staff will use this tool throughout the development of the Clean Water SRF Additional Subsidization Affordability Analysis.

To use the tool, open the Microsoft Excel® document titled “FAC Demographics Tool”. This spreadsheet is updated monthly with the most recent available data. Open the tab entitled “Comparison Chart”. Select the applicant from the drop down list.

When information on the applicant is not available (e.g. sewer districts), staff will use the county data as a proxy. Although county data does not offer an exact representation, it is the most readily available data to the department.

The FAC Demographics Tool will return the following statistical information, but is not limited to:

- Unemployment level (monthly and a 24 month average);
- Median household income;
- Change in median household income (20 year trend at a minimum);
- Population;
- Change in population (20 year trend at a minimum);
- Median age;
- Change in median age (20 year trend at a minimum);
- Poverty level; and
- Reliance on food stamps.

The FAC Demographics Tool compares values for the selected applicant to the overall Missouri figures and plots the difference based upon the number of standard deviations away from the statewide figures. The difference is plotted on a color gradient from green to red. Values falling in the “red” (greater than one standard deviation away from the statewide figure) will indicate areas of concern. Multiple values in the “red” may indicate that the applicant is substantially challenged and that it may be difficult for the applicant to finance major wastewater infrastructure investments.

Staff preparing the Clean Water SRF Additional Subsidization Affordability Analysis should consider the statistics individually and as a set. For example, a sharp decline in population paired with an increase in median age may indicate that younger generations are leaving the area thereby decreasing the applicant’s financial capabilities.

Other worksheets include raw statistics and the source information.

Staff should have confidence in the values before including them in the template. If a returned value seems inaccurate, investigate the source data to verify the value.

#### **WPP Engineering Tool:**

The department has developed the Water Protection Program (WPP) Engineering Tool by use of Microsoft Excel®. This tool will supply known and active department permits held by the

applicant. Staff will use this tool to determine other environmental commitments for section (3) of the template.

To use the tool, open the Microsoft Excel® document titled “WPP Engineering Tool”. This spreadsheet is updated periodically with the most recent available data. Open the tab entitled “Input Page”. Select the applicant from the drop down list.

The WPP Engineering Tool will return a preliminary list of the other environmental commitments an applicant has, such as—

- Airports;
- Combined sewer overflows (CSOs);
- Landfills;
- Municipal separate storm sewer systems (MS4);
- Pretreatment approved programs;
- Power plants;
- Water treatment plants;

The list provided by the WPP Engineering Tool does not include all commitments an applicant may have, nor the cost associated with those commitments. The applicant should provide a complete list of commitments and associated costs in the Financial Questionnaire form.

The WPP Engineering Tool contains additional worksheets that are used by the WPP Operating Permit and Compliance and Enforcement Sections that will not be utilized in this evaluation. The WPP Engineering Tool does contain directions on how to use the spreadsheet, documentation of the sources of information, and any assumptions made in the development of the spreadsheets.

#### **Income Survey:**

The median household income (MHI) is found using the American Community Survey conducted by the U.S. Census Bureau. Information regarding the American Community Survey (ACS) can be found online at [www.census.gov/acs/www/](http://www.census.gov/acs/www/).

MHI is defined as the median income which divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount. Median income for households is computed on the basis of a standard distribution. The income is based on the income of the householder and all other individuals 15 years old and over in the household, whether they are related or not, at the time of interview by the U.S. Census Bureau.

In some cases, a community may believe the ACS did not accurately reflect the demographics of their community. Currently, the department does not have a policy or procedure to determine or review and approve income surveys.

An applicant may submit a United States Department of Agriculture Rural Development (USDA-RD) or Missouri Department of Economic Development’s Community Development

Block Grant (CDBG) approved income survey. This surveyed income value will replace the reported MHI in the Clean Water SRF Additional Subsidization Affordability Analysis template.

### **Completing the Template:**

Staff shall complete the following items in the template included as Attachment 2. Any decisions made need to be clearly documented. Update the References as necessary. Staff should delete the reminder review comments prior to finalizing the template. Attach the completed and signed Financial Questionnaire form with any attachments to the end of the finalized template.

#### **(1) Proposed Project Description:**

The information presented in the Clean Water State Revolving Fund Loan Application, the documentation of an acceptable debt instrument, and the facility plan shall be utilized to develop the project description section.

General Obligation Bond – General obligation bonds are debt instruments issued by local governments to raise funds for public works. They are a municipal bond backed by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project.

Missouri Constitution Article VI, Section 26(e) permits a city to incur general obligation debt for an additional ten percent of the city's assessed valuation (so long as the total indebtedness does not exceed 20 percent) for the purpose of wastewater improvements. General obligation bonds outstanding cannot exceed five percent of the tangible property therein by the last completed assessment for sewer districts in accordance with Article VI, Section 26(b) of the Missouri Constitution.

Revenue Bond – Revenue bonds are municipal bonds that finance income-producing projects and are secured by a specified revenue source, rather than from a tax. Typically, revenue bonds can be issued by any government agency or fund that is run in the manner of a business – those entities having both operating revenues and expenses (sometimes known as an enterprise fund).

Certificate of Participation – A certificate of participation is a financial instrument, a form of financing, used by municipal or government entities which allows an individual to buy a share of the lease revenue of an agreement made by these entities. It is different from a bond issued by these agencies since certificates of participation are secured by lease revenues.

Sales Tax – Sales tax is a consumption tax levied on goods and services purchased at the retail level, paid by the consumer and submitted by the retailer to the governing tax authority.

Capital Cost – Capital costs are fixed, one-time expenses incurred during the construction of wastewater infrastructure. It is the total cost needed to bring a project to an operable status. Capital costs include labor, equipment, and material costs.

Operating and Maintenance Cost – Operating and maintenance cost is the day-to-day expense of operating a wastewater treatment system or component to ensure the continued effectiveness of the system. Operation and maintenance costs include administration, labor, power, equipment, monitoring and sampling, etc.

Loan Term – A loan term is the period over which a loan agreement is in force.

Section 603(d)(1)(A) of the FWPCA allows SRF loan terms extended up to 30 years, but must not exceed the useful life of the project. For purposes of the Clean Water SRF Additional Subsidization Affordability Analysis, the loan term will be the shorter of 20 years or the useful life of the proposed project. Applicants must provide the department with documentation of the number of years of useful life of the proposed project. The anticipated loan term should be reflected in the present worth and user rate.

Present Worth – Present worth, also known as net present value, is the sum of the present values of incoming and outgoing cash flows over the period of the loan. This value represents an amount of money at an initial time. The present worth allows for cost comparisons of different alternatives on the basis of a single cost figure for each alternative.

User Rate – A user rate is a cost for the use of a wastewater collection system and wastewater treatment facility and ultimate disposal. Typically, this cost is billed by a utility to each connection, or household, on a monthly basis. The utility should design the user rate system to produce adequate revenues required for operation and maintenance (including replacement) and debt repayment.

**(2) Inclusion of ongoing costs of operating and maintaining the existing wastewater collection and treatment system, including payments on outstanding debts for wastewater collection and treatment systems when calculating projected rates:**

If no information for this item has been supplied by the applicant with the submission of the Financial Questionnaire form, then it is important for staff to contact the applicant and ask for this information.

An applicant may submit their financial statements, which may contain this information. In some cases, the most recent financial statements are on file at the Missouri State Auditor's office, [www.auditor.mo.gov](http://www.auditor.mo.gov).

Staff may also search for the applicant in the State Revolving Fund System database. This database may reveal an applicant with a previously awarded State Revolving Fund Loan with a current loan repayment schedule and an outstanding balance.

**(3) An assessment of other investments and operating costs relating to environmental improvements and public health protection:**

Staff should identify any items they are aware of that may impact the entity's ability to provide the necessary funding to construct the proposed project and operate and maintain the system. The applicant should have provided this information in the Financial Questionnaire form.

Staff should determine whether the applicant has other active Clean Water or Drinking Water State Revolving Fund projects in the State Revolving Fund System database.

Staff will search for the applicant in the WPP Engineering Tool to determine whether the applicant has other environmental commitments. Summarize these commitments and provide the applicable permit numbers.

Staff may also search for the applicant in the Environmental Protection Agency's (EPA) Envirofacts database available online at [www.epa.gov/enviro/](http://www.epa.gov/enviro/). This search provides access to several EPA databases to provide staff with information about environmental activities that may affect air, water, and land in the project area. The database is capable of generating maps and environmental reports for an area.

Staff should generate a concluding statement to summarize the other investments and identify possible overlap or complications.

**(4) A federal and state distressed assessment:**

The FWCPA section 603(i)(2)(A)(ii) requires a determination of whether the proposed project is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).

The federal and Missouri definitions of "distressed" are not equivalent. Therefore, the department has included an examination of both definitions. An applicant may or may not meet the requirements of one or both of the federal and Missouri distressed definitions.

Federally Distressed Areas:

An area may be defined as distressed if it meets one or more of the following criteria in accordance with 42 U.S.C. 3161:

- Low per capita income – The area has a per capita income of 80% or less of the national average.
- Unemployment rate above national average – The area has an unemployment rate that is, for the most recent 24-month period for which data is available, at least one percent greater than the national average unemployment rate of the most recent 24 month period.
- Unemployment or economic adjustment problems – The area is an area that the Secretary of Commerce determines has experienced or is about to experience a special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions.

The federal definition of a distressed area is based upon the location of the proposed project, which is not necessarily the equivalent to the applicant (e.g., sewer districts).

National per capita income:	\$XXX
80% of National per capita income:	\$XXX
Project area per capita income:	\$XXX
National unemployment rate (24 month average):	X.X%
Project area unemployment rate (24 month average):	X.X%
Approved U.S. Secretary of Commerce area:	[Yes/Unknown]

**Per Capita Income** – Per capita income is the mean money income received in the past 12 months computed for every man, woman, and child in a geographic area. It is derived by dividing the total income of all people 15 years old and over in a geographic area by the total population in that area.

Staff will search for the per capita income values of the nation and proposed project area from the past 12 months as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). Staff will use the FAC Demographics Tool to determine the per capita income of the applicant’s area is 80% or less of the national average for the past 12 months.

**Unemployment Rate** – The unemployment rate is expressed as a percentage of the total labor force that is unemployed, but actively seeking employment in the prior 24 months and are currently available to work.

Staff will evaluate the applicant’s proposed project area unemployment rate as reported monthly by the Missouri Department of Economic Development and found online at [www.missourieconomy.org/indicators/unemp/index.stm](http://www.missourieconomy.org/indicators/unemp/index.stm). Staff will use the FAC Demographics Tool to average the past 24-month reported unemployment rates for the project area. If the project area is not listed by the Missouri Department of Economic Development, the project area’s county data will be used as a proxy. The national unemployment rate is reported by the U.S. Department of Labor’s Bureau of Labor Statistics online at [www.bls.gov/cps/](http://www.bls.gov/cps/). Staff will use the FAC Demographics Tool to determine whether the applicant’s unemployment rate is above the national average for the past 24-months by one percent or more.

The burden of proof for an unemployment or economic adjustment problem approved by the U.S. Secretary of Commerce is upon the applicant. The applicant criteria for approval by the U.S. Secretary of Commerce is provided by the Economic Development Administration and defined as “special need” in 13 CFR 300.3. If the applicant provided documentation of approval from the U.S. Secretary of Commerce, staff will review for validity. Staff will provide a short summary of the date and the reason(s) the applicant was approved as a distressed area.

If a proposed project area has met one or more of the three criteria, the proposed project is considered to be located in a federally distressed area.

**Missouri Distressed Communities:**

Section 135.530.1 RSMo defines a distressed community as a municipality within a metropolitan statistical area which has a MHI of under 70% of the MHI for the metropolitan statistical area.

In addition, the definition includes municipalities not in a metropolitan statistical area, with a MHI under 70% of the MHI for the nonmetropolitan areas in Missouri. The Missouri Department of Economic Development identifies and provides a list of entirely distressed municipalities in Missouri online at [ded.mo.gov/upload/2010\\_dstressed\\_communities-entire\\_municipalities.pdf](http://ded.mo.gov/upload/2010_dstressed_communities-entire_municipalities.pdf) based on the 2010 U.S. Census Bureau data.

Staff will determine whether the applicant is included in the distressed communities list produced by the Missouri Department of Economic Development at the website above.

**(5) An assessment of factors set forth in the United States Environmental Protection Agency's guidance, including but not limited to the "Combined Sewer Overflow Guidance for Financial Capability Assessment and Schedule Development":**

These indicator values need to be clearly identified as they will be utilized in the completion of the Financial Capability Indicator Table (see Table 1-1) and the Financial Capability Matrix (see Table 2-1).

Debt Indicators:

Bond Rating:	XXX [Moody's/S&P]
Net Direct Debt:	\$XXX
Overlapping Debt:	\$XXX
Other Debt:	\$XXX
Overall Net Debt:	\$XXX
Market Value of Property:	\$XXX
Overall Net Debt as a Percent of Full Market Value:	X.X%

Debt indicators assess the current debt burden of the applicant or the communities within the applicant's service area and the ability to issue additional debt.

Bond Rating – Bonds are ranked on the basis of the degree of risk associated with timely payment of their interest and principle.

Staff should search for the applicant's most recent bond rating by the private independent rating agencies of Standard & Poor's and Moody's and Fitch available online at [emma.msrb.org](http://emma.msrb.org). Staff should indicate the applicable bond rating agency. If the applicant does not have a recent bond rating, state "Not applicable".

Net Direct Debt – Net direct debt is the total amount of the outstanding general obligation debt, including notes and short-term financing issued by an applicant.

Overlapping Debt – Overlapping debt is the financial obligations of one political jurisdiction that also falls partly on a nearby jurisdiction. Overlapping debt is common because areas can be divided into numerous jurisdictions for different tax purposes, such as building a new public school or a new road. These different jurisdictions may each issue debt in the form of bonds and notes.

Other Debt – Other debt is the total amount of outstanding other debt related to the wastewater system, including sewer revenue bonds, combined water and sewer revenue bonds, and annually appropriated obligations (e.g. certificates of participation).

Overall Net Debt – Overall net debt is debt repaid by property taxes in the applicant’s service area. It excludes other debt which is repaid by special user fees (e.g. revenue debt). The overall net debt is the sum of net direct debt and overlapping debt.

Market Value of Property – The market value of property, or fair market value, is an estimate of the market value of a property, based on what a knowledgeable, willing, and unpressured buyer would probably pay to a knowledgeable, willing, and unpressured seller in the market. It is possible that the tax assessed property value will not reflect the full market property value.

The debts and market value of property values should be found on the applicant’s most recent annual financial statement. In some cases, the most recent financial statements are on file at the Missouri State Auditor’s office, [www.auditor.mo.gov](http://www.auditor.mo.gov). Staff will calculate the overall net debt as a percent of full market value. Refer to the equation below. If the applicant does not provide this information, state that the values are “unknown” along with an explanation.

$$\text{Overall Net Debt as a Percent of Full Market Value} = \frac{\text{Overall Net Debt}}{\text{Market Value of Property}} \times 100$$

Socioeconomic Indicators:

Unemployment Rate:	<u>X.X%</u>
Adjusted Median Household Income (MHI):	<u>\$XXX</u>
Percent Change in MHI:	<u>+/- X.X%</u>
Percent Population Growth/Decline:	<u>+/- X.X%</u>
Change in Median Age in Years:	<u>+/- X.X%</u>
Percent of Households in Poverty:	<u>X.X%</u>
Percent of Households Relying on Food Stamps:	<u>X.X%</u>

Socioeconomic Indicators assess the general economic well-being of residential users in the applicant’s service area. Staff will utilize the FAC Demographics Tool to fill out the Socioeconomic Indicators. Below are the definitions and data sources used to address the Socioeconomic Indicators.

Unemployment Rate – The unemployment rate is expressed as a percentage of the total labor force that is unemployed, but actively seeking employment in the prior four weeks and are currently available to work.

Staff will evaluate the applicant’s unemployment rate as reported monthly by the Missouri Department of Economic Development and found online at [www.missourieconomy.org/indicators/unemp/index.stm](http://www.missourieconomy.org/indicators/unemp/index.stm). If the applicant is not listed by the Missouri Department of Economic Development, the applicant’s county data will be used as a proxy.

Median Household Income (MHI) – The median income divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount. Median income for households is computed on the basis of a standard distribution. The income is based on the income of the householder and all other individuals 15 years old and over in the household, whether they are related or not, at the time of interview by the U.S. Census Bureau.

Staff will utilize the most recent MHI values provided by the ACS 5-year estimates and the median income in the past 12 months as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). If the applicant provides an income survey result approved by the USDA-RD or CDBG, this income value will replace the MHI obtained from the ACS. The percent change in MHI over a period of 20 years at a minimum is calculated by the FAC Demographics Tool.

Population – All the inhabitants of a particular area.

Staff will utilize the most recent populations and historical populations provided by the ACS 5-year estimates as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). The percent change in population over a period of 20 years at a minimum is calculated by the FAC Demographics Tool. A positive value will reflect a growing population and conversely a negative value will reflect a declining population.

Median Age – The age which divides the population into two numerically equal groups; that is, half the people are younger than this age and half are older.

Staff will utilize the most recent median ages provided by the ACS 5-year estimates as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). The percent change in median age over a period of 20 years at a minimum is calculated by the FAC Demographics Tool.

Poverty – If a family's total income is less than the family's threshold (a set of money income thresholds that vary by family size and composition), then that family and every individual in it is considered in poverty.

Staff will utilize the most recent poverty rates provided by the ACS 5-year estimates as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). The number of households in a municipality or county is provided by the most recent ACS Demographic and Housing Survey 5-year estimates as reported by the U.S. Census Bureau available online at [factfinder.census.gov](http://factfinder.census.gov). The percent of households in poverty is calculated by the FAC Demographics Tool.

Households Relying on Food Stamps – The number of households relying on food stamps is a measure of poverty. Food stamps are a voucher issued by the government to those on low income, exchangeable for food.

Staff will evaluate the population dependent on food stamps in the municipality or county provided by the most recent ACS 5-year estimates. The number of households in a municipality or county is provided by the most recent ACS Demographic and Housing Survey 5-year estimates. The ACS reported values are available from the U.S. Census Bureau online at [factfinder.census.gov](http://factfinder.census.gov). The percent of households relying on food stamps is calculated by the FAC Demographics Tool.

Financial Management Indicators:

Property Tax Revenues as a Percent of Full Market Property Value:	<u>X.X%</u>
Property Tax Revenue Collection Rate:	<u>X.X%</u>

Financial Management Indicators evaluate the applicant’s overall ability to manage financial operations.

Property Tax – A property tax is a levy on property that the owner is required to pay. The tax is levied by the governing authority of the jurisdiction in which the property is located. The assessment is made of two components: the improvement or building value(s) and the land value.

Property Tax Revenues as a Percent of Full Market Property Value – The property tax revenues as a percent of full market property value, or property tax burden, indicates the funding capacity available to support debt based on the wealth of the applicant’s geographic area.

The Financial Management Indicators values should be found on the applicant’s most recent annual financial statement. In some cases, the most recent financial statements are on file at the Missouri State Auditor’s office, [www.auditor.mo.gov](http://www.auditor.mo.gov).

The Missouri State Auditor’s office annually reviews local property tax rates of all taxing authorities in the state. These annual reports are available online at [auditor.mo.gov/AuditReports/AudRpt2.aspx?id=31](http://auditor.mo.gov/AuditReports/AudRpt2.aspx?id=31). The most recent report could assist applicants in determining their property tax revenues.

The Missouri State Tax Commission also produces an annual report of county valuations available online at [stc.mo.gov/annual-reports/](http://stc.mo.gov/annual-reports/). The chapter labeled “County Valuations Prior to the County Boards of Equalization” in the most recent report could aid applicants in determining their county property assessment value.

If the applicant does not provide this information, state that the values are “unknown” along with an explanation.

Financial Capability Indicator Table:

Staff shall analyze the “Financial Capability Indicators” as identified in the Environmental Protection Agency’s “Combined Sewer Overflows – Guidance for Financial Capability

Assessment and Schedule Development”. See pages 20 through 41 available online at [water.epa.gov/polwaste/npdes/cso/upload/csofc.pdf](http://water.epa.gov/polwaste/npdes/cso/upload/csofc.pdf).

For each line item, staff shall calculate the statistic for the applicant and log the appropriate score of 1, 2, or 3 or specify that the information is “unknown”. However, some of the line items are not applicable for all applicants. If a line item is not applicable mark the score as “N/A”. It is important for staff to maintain accurate notes documenting the sources of data and the calculations as part of the project file.

Staff will calculate the average score (total the numeric values and divide the sum by the number of entries that have a valid numeric value). This result is considered the Financial Capability Indicator (FCI).

Staff will calculate and provide the resulting residential indicator. Refer to the equation below.

Residential Indicator:

$$\text{Residential Indicator} = \left( \frac{\text{Estimated User Rate/month}}{\text{MHI} \div 12 \text{ months}} \right) \times 100$$

X.X%

The FCI score is an assessment of the applicant’s debt burden, socioeconomic conditions, and financial operations. The Residential Indicator is the percentage of the applicant’s MHI expended on wastewater systems based on the estimated user rate. These two measures are subsequently entered into the Financial Capability Matrix (see Table 2-1) to determine the level of financial burden that the proposed wastewater project will place on residential customers and the applicant.

Financial Capability Matrix:

Using the Residential Indicator value and the FCI score, determine the suggested burden using the Financial Capability Matrix (see Table 2-1) by plotting the results on the respective axis. Identify the resultant Estimated Financial Burden.

**(6) An assessment of any other relevant local economic condition:**

Staff should use the information provided by the applicant in the Financial Questionnaire form. If staff are aware of any relevant information that has or will have an impact on economic conditions, it is important to note them here. Examples might include knowledge that a major local employer is ceasing operation, significant population loss, or natural disaster.

**(7) Conclusion:**

A high burden determination may make the applicant eligible for additional subsidizations subject to other eligibility requirements and to the availability of funds as described in the current version of the Clean Water Intended Use Plan.

However, an applicant with a resulting medium or low burden is not eligible for additional subsidizations pursuant to the affordability criteria.

Staff should develop a narrative conclusion and identify the level of financial burden. The conclusion should consider any significant subjective factors along with the objective measures that are formula driven.

DRAFT

ATTACHMENT 2

MISSOURI DEPARTMENT OF NATURAL RESOURCES  
WATER PROTECTION PROGRAM

CLEAN WATER STATE REVOLVING FUND  
ADDITIONAL SUBSIDIZATION AFFORDABILITY ANALYSIS

Project Identification: **Project Name**

Applicant: **Applicant**

Project No.: **C295XXX-XX**

Facility: **Name WWTF**

MSOP No.: **MO-XXXXXXX**

City: **City Name**

County: **County Name**

State: Missouri

Total Project Amount: **\$XXX**

Potential Loan: **\$XXX**

Pursuant to the Federal Water Pollution Control Act (FWPCA) section 603(i), the Missouri Department of Natural Resources' (department) may elect to award additional subsidization (i.e. grant funds) to a municipality based on affordability criteria. The department has elected to conduct an affordability analysis for potential Clean Water State Revolving Fund (SRF) recipients in order to determine which municipalities may be eligible to receive grant funding. The estimated financial burden determination will support the department in additional subsidization funding decisions. However, this affordability analysis does not singly determine nor guarantee whether the department will enter into a binding commitment for a SRF loan or additional subsidization with the applicant.

This affordability analysis is based on data available to the department as provided by the SRF applicant and data obtained from readily available sources. For the most accurate analysis, it is essential that the applicant provides the department with current information about the local financial and socioeconomic situation. The Financial Questionnaire form is available online at [dnr.mo.gov/forms/780-2511-f.pdf](http://dnr.mo.gov/forms/780-2511-f.pdf) to assist applicants with providing this information.

**(1) Proposed Project Description:**

Application: The Clean Water SRF Loan Application was submitted by Applicant on Received DATE. The department evaluated the number of priority points for the applicant and assigned XXX priority points in accordance with 10 CSR 20-4.010.

Debt Instrument: The Applicant passed a sewer revenue bond on DATE for the amount of \$XXX.

Facility Plan: The recommended project and associated costs, including the estimated user rate, is in accordance with the facility plan [add Addendum Nos. if appropriate] submitted by Consulting Firm on Received DATE and signed and sealed by Consultant, P.E. on DATE.

Purpose and Need: Usually from the facility plan you will get the wording for the purpose and need of the project. On sewer projects, you should say something about eliminating failing septic tanks to protect the environment and public health or rehabilitation of sewers which are a source of I/I. Some sewer projects are for overloaded sewers or pump stations. On treatment facility projects, it could be growth issues, new or more stringent effluent limitations, noncompliance issues, or at the end of its useful life.

Design Factors: This information is usually contained in the facility plan. The proposed X WWTF will treat a design average flow of XX gallons per day (gpd) and a peak wet weather flow of XX gpd. The facility will treat an organic load of XX lbs/day of Biochemical Oxygen Demand<sub>5</sub> (BOD<sub>5</sub>). The proposed X WWTF will be designed to meet the monthly average effluent limits of the following: X mg/L BOD<sub>5</sub>, X mg/L Total Suspended Solids (TSS), X mg/L Ammonia as Nitrogen in the summer, X mg/L Ammonia as Nitrogen in the winter, X colonies/100mL E. coli, and X mg/L Oil and Grease.

For sewer projects, describe approximately how many feet of sewer pipe, how many pump stations, and the number of houses or buildings will be served. You should indicate the preliminary pipe sizes. For pump stations, state the capacity in terms of gallons per minute. The design will comply with 10CSR20-8.

Number of Connections:

Residential Connections:	_____	XX
Commercial Connections:	_____	XX
Industrial Connections:	_____	XX
Total Connections for this facility:	_____	XXX

Recommended Project: Describe the recommended project from the facility plan but don't fill it up with unnecessary engineering details such as horsepower of motors or depth of tanks, etc. State whether the recommended project is the lowest cost or explain why the recommended project was selected instead of the lowest cost option. Including all necessary appurtenances to complete the project.

Capital Cost: \_\_\_\_\_ \$XXX

Annual Operation & Maintenance Cost:	\$XXX
Anticipated Loan Term:	X years
Present Worth Cost:	\$XXX
Total SRF Eligible Cost:	\$XXX

**User Rate:** The current user rate is based on \$X.XX minimum and \$X.XX/1,000 gallons based on metered water usage. The SRF non-eligible costs, \$X, are to be financed by (Missouri Department of Economic Development’s Community Development Block Grant, United States Department of Agriculture Rural Development with an interest rate of X% and loan term of X years, private financing with an interest rate of X% and loan term of X years, capital improvement funds, etc.).

Current User Rate:	\$XX.XX/5,000 gal/month
Monthly Loan Repayment Cost:	\$XX.XX/month
Monthly Operation & Maintenance Cost:	\$XX.XX/month
Estimated User Rate:	\$XX.XX/5,000 gal/month

**(2) Inclusion of ongoing costs of operating and maintaining the existing wastewater collection and treatment system, including payments on outstanding debts for wastewater collection and treatment systems when calculating projected rates:**

**[A]** The applicant reported their outstanding debt for their current wastewater collection system and treatment facility to be \$XXXXXX. The applicant reported that each user pays \$XX.XX each month, which is used toward payments on the current outstanding debt.

**[B]** The applicant has reported that they have no outstanding debts for the current wastewater collection system and treatment facility.

**[C]** The applicant did not provide the department with this information, nor could it be found through readily available data.

**[D]** The applicant did not provide the department with this information. However, the State Revolving Fund System database revealed the Applicant was awarded a previous State Revolving Fund Loan in YEAR for \$XXXXXX. The applicant has an outstanding balance of \$XXXXXX.

**Comment [ETC1]:** Choose the applicable language below (A, B, C, or D) and delete the remainder.

**(3) An assessment of other investments and operating costs relating to environmental improvements and public health protection:**

**[A]** The applicant did not report any other investments relating to environmental improvements, nor could it be found through readily available data.

**[B]** The applicant did not report any other investments relating to environmental improvements. However, the applicant has applied for a Clean/Drinking Water State Revolving Fund Loan for

**Comment [ETC2]:** Choose the applicable language below (A, B, C, D, or E) or a combination thereof and delete the remainder.

Project Name, Project # [repeat as necessary]. This project is currently on the Planning/Fundable List of the Fiscal Year 20XX Clean Water Intended Use Plan.

[C]The applicant did not report any other investments relating to environmental improvements. [Summarize any commitments listed by the WPP Engineering Tool including appropriate permit numbers.]

[D]The applicant did not report any other investments relating to environmental improvements. The Environmental Protection Agency's (EPA) Envirofacts database, available online at [www.epa.gov/enviro/](http://www.epa.gov/enviro/), listed the following environmental activities: [Summarize the activities and the appropriate permit numbers found.]

[E]The applicant reported the following other community investments and operating costs related to environmental improvement and public health protection: [Summarize the investments with the appropriate permit numbers and the associated costs.]

**(4) A federal and state distressed assessment:**

Federally Distressed Areas:

An area may be defined as distressed if it meets one or more of the following criteria in accordance with 42 U.S.C. 3161:

- Low per capita income – The area has a per capita income of 80% or less of the national average.
- Unemployment rate above national average – The area has an unemployment rate that is, for the most recent 24-month period for which data is available, at least one percent greater than the national average unemployment rate of the most recent 24 month period.
- Unemployment or economic adjustment problems – The area is an area that the Secretary of Commerce determines has experienced or is about to experience a special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions.

National per capita income <sup>1</sup> (YEAR):	_____	\$XXX
80% of National per capita income (YEAR):	_____	\$XXX
Project area per capita income <sup>1</sup> (YEAR)	_____	\$XXX
National unemployment rate <sup>2</sup> (24 month average):	_____	X.X%
Project area unemployment rate <sup>3</sup> (24 month average):	_____	X.X%
Approved U.S. Secretary of Commerce area:	_____	[Yes/Unknown]

[A]The proposed project area is classified as a federally distressed area. [Provide summary of which criteria made this determination. If approved by U.S. Secretary of Commerce, provide date approved and explanation.]

**Comment [ETC3]:** Choose the applicable languages below (A or B) for both sections and delete the remainder.

**[B]** The proposed project area is not classified as a federally distressed area. In addition, the applicant did not provide documentation of approval as a federally distressed area from the Secretary of Commerce.

Missouri Distressed Communities:

Section 135.530.1 RSMo defines a distressed community as a municipality within a metropolitan statistical area which has a median household income (MHI) of under 70% of the MHI for the metropolitan statistical area. In addition, the definition includes municipalities not in a metropolitan area statistical area, with a MHI under 70% of the MHI for the nonmetropolitan areas in Missouri. The Missouri Department of Economic Development (DED) identifies and provides a list of entirely distressed municipalities in Missouri online at [ded.mo.gov/upload/2010\\_distressed\\_communities-entire\\_municipalities.pdf](http://ded.mo.gov/upload/2010_distressed_communities-entire_municipalities.pdf) based on the 2010 U.S. Census Bureau data.

**[A]** The Applicant is classified as a Missouri distressed community by the Missouri DED<sup>4</sup>.

**[B]** The Applicant is not classified as a Missouri distressed community by the Missouri DED<sup>4</sup>.

**(5) An assessment of factors set forth in the United States Environmental Protection Agency's (EPA) guidance, including but not limited to the "Combined Sewer Overflow Guidance for Financial Capability Assessment and Schedule Development":**

Debt Indicators:

Bond Rating:	XXX [Moody's/S&P]
Net Direct Debt:	\$XXX
Overlapping Debt:	\$XXX
Other Debt:	\$XXX
Overall Net Debt:	\$XXX
Market Value of Property:	\$XXX
Overall Net Debt as a Percent of Full Market Value:	X.X%

$$\text{Overall Net Debt as a Percent of Full Market Value} = \frac{\text{Overall Net Debt}}{\text{Market Value of Property}} \times 100$$

**Comment [ETC4]:** Insert the known values into this equation. Otherwise, delete the equation.

[Provide an explanation of why a line item is N/A or unknown.]

Socioeconomic Indicators:

Unemployment Rate <sup>3</sup> (Month YEAR):	X.X%
Adjusted Median Household Income <sup>6</sup> (MHI) (YEAR):	\$XXX
Percent Change in MHI <sup>6</sup> (YEAR-YEAR):	+/- X.X%
Percent Population Growth/Decline <sup>7</sup> (YEAR-YEAR):	+/- X.X%
Change in Median Age in Years <sup>7</sup> (YEAR-YEAR):	+/- X.X%

Percent of Households in Poverty<sup>8</sup> (YEAR): \_\_\_\_\_ X.X%

Percent of Households Relying on Food Stamps<sup>8</sup> (YEAR): \_\_\_\_\_ X.X%

[Provide an explanation of why a line item is N/A or unknown.]

Financial Management Indicators:

Property Tax Revenues as a Percent of Full Market Property Value: \_\_\_\_\_ X.X%

Property Tax Revenue Collection Rate: \_\_\_\_\_ X.X%

[Provide an explanation of why a line item is N/A or unknown.]

In the Financial Capability Indicator Table (see Table 1-1), nine indicators are used to evaluate the debt, socioeconomic, and financial conditions that affect an applicant’s financial capability to fund the proposed SRF project. These indicators are compared to Missouri benchmarks. Not all indicators may be applicable or known for each applicant. In these circumstances, simply use the remaining indicators to determine the Financial Capability Indicators Average Score.

TABLE 1-1. Financial Capability Indicator Table

Indicators	Strong (3 points)	Mid-Range (2 points)	Weak (1 point)	Score
Bond Rating Indicator	Above BBB or Baa	BBB or Baa	Below BBB or Baa	
Overall Net Debt as a % of Full Market Property Value	Below 2%	2% - 5%	Above 5%	
Unemployment Rate	>1% below Missouri average of X.X%	± 1% of Missouri average of X.X%	>1% above Missouri average of X.X%	
Median Household Income	More than 25% above Missouri MHI (\$XXX)	± 25% of Missouri MHI (\$XXX)	More than 25% below Missouri MHI (\$XXX)	
Percent Population Growth/Decline <sup>9</sup>	>10% above Missouri average of X.X%	± 10% of Missouri average of X.X%	>10% below Missouri average of X.X%	
Percent of Households in Poverty <sup>9</sup>	>10% below Missouri average of X.X%	± 10% of Missouri average of X.X%	>10% above Missouri average of X.X%	
Percent of Households Relying on Food Stamps <sup>9</sup>	>5% below Missouri average of X.X%	± 5% of Missouri average of X.X%	>5% above Missouri average of X.X%	
Property Tax Revenues as a % of Full Market Property Value	Below 2%	2% - 4%	Above 4%	

**Comment [ETC5]:** Update the Missouri average values. Complete the Score for each row as appropriate as 1, 2, 3, “N/A”, or “Unknown”.

Property Tax Collection Rate	Above 98%	94% - 98%	Below 94%	
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Financial Capability Indicators Average Score: \_\_\_\_\_ **X.X**

Residential Indicator: \_\_\_\_\_ **X.X%**

$$Residential\ Indicator = \left( \frac{Estimated\ User\ Rate/month}{MHI \div 12\ months} \right) \times 100$$

**Comment [ETC6]:** Insert the values into this equation.

The Financial Capability Indicator (FCI) score is an assessment of the applicant’s debt burden, socioeconomic conditions, and financial operations. The Residential Indicator is the percentage of the applicant’s MHI expended on wastewater systems based on the estimated user rate. These two measures are subsequently entered into the Financial Capability Matrix (see Table 2-1) to determine the level of financial burden that the proposed wastewater project will place on residential customers and the applicant.

TABLE 2-1. Financial Capability Matrix

Financial Capability Indicators Score	Residential Indicator (User cost as a % of MHI)		
	Low (Below 1%)	Mid-Range (Between 1.0% and 2.0%)	High (Above 2.0%)
Weak (below 1.5)	Medium Burden	High Burden	High Burden
Mid-Range (1.5 – 2.5)	Low Burden	Medium Burden	High Burden
Strong (above 2.5)	Low Burden	Medium Burden	High Burden

**Comment [ETC7]:** Fill in the appropriate Burden cell with the 25% gray color.

Estimated Financial Burden: \_\_\_\_\_ **XX** Burden

**(6) An assessment of any other relevant local economic condition:**

**Comment [ETC8]:** Choose the applicable language below (A, B, or C) and delete the remainder.

**[A]** The applicant did not report any other relevant local economic conditions, nor could it be found through readily available data.

**[B]** The applicant did not report any other relevant local economic conditions. However, the Applicant was recently in the media as a result of a major local employer is ceasing operation, natural disaster, etc. [Provide the media source and date.]

**[C]** The Applicant reported the following other relevant local economic conditions: [Summarize the local economic conditions.]

**(7) Conclusion:**

**Comment [ETC9]:** Choose the applicable language below (A or B) and delete the remainder.

The department considered the financial and socioeconomic criteria above to determine the affordability of the proposed project. The department found that the proposed project may result

in a **XX** burden with regard to the **Applicant**'s overall financial capability. This determination is based on readily available data.

**[A]** This high burden determination may make the **Applicant** eligible for additional subsidization in the form of a grant subject to other eligibility requirements and to the availability of grant funds as described in the current version of the Clean Water Intended Use Plan.

**[B]** Additional subsidization is not available, since the proposed project is expected to result in a **medium/low** burden for the **Applicant**. This determination does not impact the **Applicant**'s eligibility for a low-interest loan from the SRF.

**References:**

1. The per capita income was found using the American Community Survey as reported by the U.S. Census Bureau online at [factfinder.census.gov](http://factfinder.census.gov).
2. The national unemployment rate was obtained from the U.S. Department of Labor's Bureau of Labor Statistics online at [www.bls.gov/cps/](http://www.bls.gov/cps/).
3. Monthly unemployment data was obtained from the Missouri Department of Economic Development online at [www.missourieconomy.org/indicators/unemp/index.stm](http://www.missourieconomy.org/indicators/unemp/index.stm).
4. Missouri distressed communities are identified by the Missouri Department of Economic Development online at [ded.mo.gov/upload/2010\\_dstressed\\_communities-entire\\_municipalities.pdf](http://ded.mo.gov/upload/2010_dstressed_communities-entire_municipalities.pdf).
5. Bond ratings may be found online at [emma.msrb.org](http://emma.msrb.org).
6. The median household income was found using the American Community Survey as reported by the U.S. Census Bureau online at [factfinder.census.gov](http://factfinder.census.gov).
7. Population trend data was obtained from online at: 2013 Census Bureau Population Data - [factfinder.census.gov/faces/nav/jsf/pages/guided\\_search.xhtml](http://factfinder.census.gov/faces/nav/jsf/pages/guided_search.xhtml), 2000 Census Bureau Population Data - [www.census.gov/popest/data/cities/totals/2009/tables/SUB-EST2009-04-29.xls](http://www.census.gov/popest/data/cities/totals/2009/tables/SUB-EST2009-04-29.xls), 1990 Census Bureau Population Data - [www.census.gov/main/www/cen1990.html](http://www.census.gov/main/www/cen1990.html).
8. Poverty data was found using the American Community Survey as reported by the U.S. Census Bureau online at [factfinder.census.gov](http://factfinder.census.gov).
9. Financial Capability Indicators which are specific to the State of Missouri.