

DRINKING WATER

State Revolving Fund

Loan Program and Set-Aside Programs

Intended Use Plan for Fiscal Year 2020

Oct. 1, 2019 through Sept. 30, 2020

Approved by the Missouri Safe Drinking Water Commission - October 16, 2019



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Drinking Water State Revolving Fund Program

The Missouri Department of Natural Resources administers the Drinking Water State Revolving Fund (DWSRF). As a condition of a federal agreement with Environmental Protection Agency (EPA), the Department must submit an annual plan for the use of federal funds awarded and a strategy for managing the program in accordance with the Safe Drinking Water Act. This DWSRF Intended Use Plan (IUP) is the annual plan for fiscal year 2020.

Missouri applies to the EPA annually for a capitalization grant to fund its DWSRF program and set aside programs. These funds are combined with the required state match and interest earnings and then made available to Missouri communities in the form of low-interest loans. As the loans are repaid, the money is reused, or revolved, by the program to provide for future projects.

Approximately \$468 million in loans and additional subsidization has been obligated through the Drinking Water State Revolving Fund since 1996.

The DWSRF loan program was established by the Safe Drinking Water Act Amendments of 1996 to provide a renewable financing source for low-interest loans to public drinking water systems for high priority infrastructure projects. Operation and management of Missouri's DWSRF program is directed by regulations 10 CSR 60-13.020 through 10 CSR 60-13.030: sos.mo.gov/cmsimages/adrules/csr/current/10csr/10c60-13.pdf.

The Department continues to refine and evaluate the program to ensure it provides a stable source of funding for drinking water infrastructure projects well into the future. The Department reserves the right to refinance, assign, pledge, or leverage any loans originated through the DWSRF Program.

This Intended Use Plan summarizes the development and management of the DWSRF priority lists and assurances required by federal mandates. It also details the proposed distribution of Missouri's anticipated DWSRF capitalization grants, state match funds, the repayments of previously awarded loans, and the interest earnings from the repayment account for fiscal year 2020.

Our partners

The success of Missouri's DWSRF program is enhanced by the partnerships formed to deliver the programs:

- The Environmental Improvement and Energy Resources Authority (EIERA) issues bonds, manages related tax issues, and monitors post-issuance compliance, while the Department handles program prioritization, project management, permitting, environmental review, and EPA compliance. The Missouri Safe Drinking Water Commission, the Department, and EIERA work together to maximize the amount of construction that can be supported by the DWSRF.

- The Missouri Water and Wastewater Review Committee reviews applications for projects requesting state or federal funds to finance water or wastewater system improvements. Agencies represented on the committee include the Missouri Department of Economic Development's Community Development Block Grant Program (CDBG), the Missouri Department of Natural Resources, and the U.S. Department of Agriculture's Rural Development (USDA-RD).

Fiscal Year 2020 Drinking Water State Revolving Fund Program Goals

Each year, the Department evaluates the operations and the financial structures of the DWSRF to gauge program effectiveness and to improve program services and investment returns. The Department develops both long-term and short-term goals to continually improve the program:

Long-term goals:

- Protect public health by ensuring Missouri citizens using public water supply will have water that is safe to drink.
- Increase the long-term sustainability of existing and proposed water systems, and encourage projects to consolidate, interconnect or regionalize drinking water systems.
- Provide below-market rate financial assistance.
- Maintain the long-term integrity of the revolving fund by applying prudent financial standards to assistance provided to participants.
- Encourage systems to choose projects with the most cost-effective solutions.
- Protect source water for drinking water systems.
- Implement efficiency efforts to expedite the funding of projects.
- Continue to implement and enhance the Department's Capacity Development Program, which implements a strategy to improve the technical, managerial, and financial capacity of Missouri's public water systems. Additional information is available at dnr.mo.gov/env/wpp/cap-dev.htm.

Short-term goals:

- Implement a focused marketing strategy to increase use of the DWSRF program.
- Have the DWSRF priority point criteria (Appendix 5) and readiness to proceed criteria (Appendix 6) updated and approved by the Missouri Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (February 15, 2020).
- Secure source of state match for federal capitalization grants.

Fiscal Year 2020 Drinking Water State Revolving Fund Available Funding

During Fiscal Year 2020, the DWSRF program expects to have approximately \$112 million available for new DWSRF projects. This includes carry-over monies from previous years, loan repayments, interest earnings on investments of DWSRF resources, and federal capitalization grants and state match.

Eligible project types

Eligible projects include infrastructure improvements that facilitate compliance with national primary drinking water regulations or otherwise significantly advance the public health protection objectives of the Safe Drinking Water Act.

Drinking water projects may include the following:

- Treatment plants
- Transmission and distribution mains
- Supply sources (i.e. wells, interconnections, and surface water intakes)
- Storage facilities
- Water security projects

Certain water projects are ineligible for assistance including the following:

- Construction or rehabilitation of dams
- Construction or rehabilitation of most water reservoirs
- Projects needed primarily for fire protection
- Projects needed primarily to serve future population growth

Eligible and ineligible expenses and allowable construction costs are further described in the DWSRF Eligibility Handbook: epa.gov/drinkingwatersrf/dwsrf-eligibility-handbook.

Eligible borrowers

- All community public water systems and not-for-profit and non-community public water systems that are not owned by the federal government. Projects may be new construction or the improvement or renovation of existing facilities.
- All eligible applicants must demonstrate technical, managerial, and financial capacity to enter into a binding financial commitment.

Terms of financial assistance

The DWSRF offers a fixed-rate loan with a target interest rate of 30 percent of the market rate. Loan proceeds are to be expended within 36 months of the loan closing.

The interest rate is based on The Bond Buyer 25-Revenue Bond Index, which provides an estimate of the yield on a 30-year revenue bond offered under current market conditions. The rate is comparable to an AAA-rated municipal market rate.

The Department charges an annual fee of 0.5 percent of the outstanding loan balance. The fee is used to administer the DWSRF program.

Long-term loans are fixed-rate loans typically for 20 years or the useful life of the project, whichever is less. DWSRF additional subsidization in the form of (grant funding, negative interest, or principal forgiveness), in conjunction with a loan, may be available for eligible borrowers in accordance with current federal appropriations.

Distribution of funds

Missouri law requires the funds be allocated as shown below:

- 20 percent to very small community systems serving up to 3,300 people
- 15 percent to small systems serving 3,301 to 9,999 people
- 65 percent to general communities (not restricted by population served)

Any uncommitted funds from a specific group may be distributed to fund projects in other groups that are ready to proceed.

The maximum amount for a loan from any single Intended Use Plan will not exceed 30 percent of available loan funds or \$10 million, whichever is less, unless approved by the Missouri Safe Drinking Water Commission. Funding applications for eligible private entity borrowers may be considered after all funding applications by political subdivisions have been satisfied if funding is still available.

Project Prioritization

The DWSRF Priority Points Criteria (Appendix 5) and Distribution-of-Funds and Readiness-to-Proceed Criteria (Appendix 6) are the basis for project ranking and funding allocation. The priority point criteria describe the criteria the Department uses to prioritize loan applications. The readiness-to-proceed criteria describe the minimum criteria an applicant must meet to be eligible to be placed on the fundable list. The most serious problems are given the highest priority.

Intended Use Plan listing process

The Department reviews the project applications based on DWSRF eligibility requirements and assigns priority points based on the DWSRF Priority Points Criteria to eligible projects. Next, the Department places eligible projects on the DWSRF Project Priority List and ranks projects by priority point score within each funding category.

The DWSRF Project Priority List contains the following categories:

- **Fundable List:** This list includes projects that meet the readiness-to-proceed criteria. Projects that meet readiness-to-proceed criteria are those for which the applicant has submitted a complete engineering report, and documentation that the applicant has an acceptable debt instrument and any necessary funding commitments from other state and/or federal agencies contributing funds to the

project. These projects are scheduled for financial assistance during the current fiscal year, and available funds are allocated to listed projects.

- **Fundable Contingency List:** This list includes projects that meet the readiness-to-proceed criteria, however sufficient SRF funding is unavailable, or the project is not expected to need funds in the current fiscal year. These projects may receive assistance if funds become available during the fiscal year. These projects may receive assistance if funds become available during the fiscal year.
- **Planning List:** This list includes projects for which an application has been submitted, but may not have submitted an engineering report or do not have a voter-approved bond or authorization to incur debt. The Department works with these communities to assist them in meeting readiness-to-proceed criteria. Once the criteria are met, the project may be moved to the fundable list if funds are available.

Modifications to Project Priority List

After the Missouri Safe Drinking Water Commission adopts the DWSRF priority list, it may modify the lists or redistribute the available funds as outlined below:

- **Inadequate allocations:** If federal DWSRF allocations are less than the allocations anticipated, or if previous allocations are reduced, the Department may recommend reducing project commitments.
- **Unanticipated or uncommitted funds:** The availability of unanticipated or uncommitted funds can result in a project moving from the contingency list to the fundable list. The amount of funds allocated to projects on the fundable lists may increase or projects that have already received assistance may receive increased assistance.
- **Bypass:** The Department may recommend that the Commission move a project from the Fundable Priority List to the Fundable Contingency List if it is not making timely progress in satisfying requirements for the DWSRF assistance in order to make the committed funds available to another project that is ready to proceed. Bypass procedures are described in Appendix 6.
- **Project removal:** The Department may recommend removal of the project from the priority list at the request of the applicant or for a finding by the Department that the project is ineligible for DWSRF assistance.

Before taking action to modify the Project Priority List, the Department notifies those projects directly affected.

Additional subsidization

The Department may provide additional subsidization to communities that could not otherwise afford a SRF loan in the form of grant funds, negative interest, or principal forgiveness. Additional subsidization funding is limited each year and is established by congressional appropriations. Appendix 2 describes the amount of additional subsidization funds committed to projects. Additional subsidization funds are obligated to eligible projects on the Fundable List in priority order based on eligibility and available funding for the application cycle of 2 IUP years, and awarded when the

applicant enters into a binding financial commitment. Failure to make timely progress may result in bypass and the loss of the additional subsidization commitment.

As funds are available, the Department commits funding for disadvantaged community projects through a combination of 75 percent additional subsidization and 25 percent loan with a maximum additional subsidization of \$2 million per applicant. Any additional subsidization funds remaining after consideration of disadvantaged communities are allocated may be assigned to projects that assist with consolidation and/or regionalization.

Per state regulation, a disadvantaged community is any applicant serving a population of 3,300 or fewer, whose average user rates for 5,000 gallons will be at or above 2 percent of the recipient median household income, and the recipient median household income is at or below 75 percent of the state average as determined by the most recent decennial census. An income survey overseen by a state or local federal agency can also be performed to determine median household income. Contact fac@dnr.mo.gov to inquire about an income survey.

Program commitments and state assurances

Federal appropriations to the DWSRF program primarily fund high-priority infrastructure projects. However, the Safe Drinking Water Act also allows states to set aside up to 31 percent for authorized projects that support public drinking water program activities. See Appendix 3 for details on Missouri's set-asides.

The Department makes a number of program commitments and state assurances related to managing the DWSRF. See Appendix 4 for a list of these commitments and assurances.

Plan for timely and expeditious use of funds

Federal law and regulations direct states to manage their program in a manner that ensures timely and expeditious use of all funds in the SRF. Because all available funds are not committed to projects in this IUP, the Department commits to developing a strategic plan for improving the timely and expeditious use of DWSRF. The plan will include, but not be limited to, increased marketing efforts including workshops; developing a DWSRF guidance for communities; targeted outreach to communities and privately owned utilities with large capital projects; streamlining to decrease time from application to funding; new project management tools for staff; and more. The Department will utilize the plan as a living document that guides staff efforts to fully utilize the DWSRF.

Engineering Report Services Grants

Engineering Report Services Grants are funded through the Department's Public Drinking Water Branch and are made available through an annual application cycle to help community drinking water systems obtain an engineering report. The engineering report is the first step toward implementing changes that will help the system achieve compliance with National Primary Drinking Water Regulations and Missouri Public Drinking Water regulations, and maintain technical, managerial, and financial capacity. Engineering studies include data collection, analysis, and water system sustainability planning. More information is available at dnr.mo.gov/env/wpp/pdwb/eng-report-svcs.htm.

Application Deadline

An entity can submit an application at any time to the Department. Applications received or postmarked by February 15, 2020, will receive priority consideration for funding in the next fiscal year's IUP. See Appendix 1 for more information about applying for funding.

Projects being funded in fiscal year 2020

The list of projects being funded in fiscal year 2020 is ranked by priority in Appendix 2 and is available online at dnr.mo.gov/env/wpp/srf/drinkingwater-assistance.htm.

Appendix 1: Drinking Water State Revolving Fund Loan Application Instructions

- Drinking Water State Revolving Fund (DWSRF) applications received or postmarked by **February 15, 2020** that meet readiness to proceed criteria will receive priority for additional subsidization and loan funding for FY 2021.
- Applications may be accepted at any time; project additions may be made to the Intended Use Plan up to four times per year.

Per state regulation, applications are valid for two Intended Use Plan cycles. Those projects not meeting program criteria within the allotted 2-year cycle will have their allocated funds released and reallocated to other projects. Reapplication to the program is possible at the end of the 2-year cycle, but a project's position on a fundable, contingency, or planning list may change with each subsequent application.

How to complete a DWSRF application

1. Potential applicants are encouraged to contact the Financial Assistance Center at 573-751-1192 or fac@dnr.mo.gov. The application form, instructions, and guidance documents are available online at dnr.mo.gov/env/wpp/srf/srf-app_guid.htm.
2. Projects that meet readiness to proceed criteria are those for which the applicant has submitted a complete engineering report, and documentation that the applicant has an acceptable debt instrument and any necessary funding commitments from other state and/or federal agencies contributing funds to the project. Applications should be submitted with an engineering report. Please see the Engineering Report Submittal Checklist for guidance found here: dnr.mo.gov/forms/780-2091-f.pdf. Submittal of an incomplete engineering report will delay progress and, ultimately, project funding.

Professional Services

Engineering Services: All engineering reports, plans and specifications must be signed, sealed, and dated by a Missouri professional engineer. The procurement of planning and design services is one of the most important steps in the design or upgrade of drinking water systems. The procurement of engineering services must be in accordance with Sections 8.285 through 8.291, RSMo. The system is also required to follow the six-good faith efforts to reach out to Disadvantaged Business Entities. The community is encouraged to contact any funding agency for which they intend to apply (e.g. DWSRF, CBDG, USDA-RD) to ensure they have the latest requirements and obtain guidance.

Financial Advisor: DWSRF applicants are strongly encouraged to retain the services of a registered municipal financial advisor. The U.S. Securities Exchange Commission rules provide a clear definition of individuals who are considered municipal advisors. These rules also provides guidance as to the scope of services and activities they provide, and, most importantly, it requires municipal advisors, including those acting as financial advisors, to be registered with the Securities Exchange Commission. Additional information is available online at sec.gov/municipal.

Additional subsidization

Additional subsidization (grant funding, negative interest, or principal forgiveness) in conjunction with a loan is available to eligible applicants. Each grant dollar awarded reduces the project's loan amount. Disadvantaged community projects may be funded through a combination of 75 percent additional subsidization and 25 percent loan, with a maximum additional subsidization of \$2 million per applicant.

Per state regulation, a disadvantaged community is any applicant serving a population of 3,300 or fewer, whose average user rates for 5,000 gallons will be at or above 2 percent of the recipient median household income, and the recipient median household income is at or below 75 percent of the state average as determined by the most recent decennial census. An income survey overseen by a state or local federal agency can also be performed to determine median household income. Contact fac@dnr.mo.gov to inquire about an income survey.

Additional subsidization funds are obligated to eligible projects on the Fundable List in priority order based on eligibility and available funding for the application cycle of 2 IUP years, and awarded when the applicant enters into a binding financial commitment. Failure to make timely progress may result in bypass and the loss of the additional subsidization commitment.

Coordination

Except for projects funded solely through the DWSRF, all applicants anticipating the use of other state or federal funds must complete a Missouri Water and Wastewater Review Committee project proposal. Both the application and the process are available online at dnr.mo.gov/env/wpp/docs/mwwrc-submission-process.pdf. Applicants are expected to contact the funding agencies prior to submittal.

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Appendix 2: Project Priority Lists and Financial Tables

Sources and Uses of Funds

During FY2020, the Drinking Water State Revolving Fund (DWSRF) program expects to have approximately \$112 million available for loans and additional subsidization during this fiscal year. The estimate includes carry-over monies from previous years, repayments, interest earnings on investments of DWSRF resources, federal capitalization grants, and state match.

Funds are allocated to projects that are on a Fundable List as approved by the Safe Drinking Water Commission. The amount of funds made available through this Intended Use Plan may be revised at any time due to changing economic conditions.

The estimated sources and anticipated uses of funds are available in the following table. The amounts reflected are as of December 31, 2018.

**Drinking Water State Revolving Fund
Estimated Sources and Uses of Funds
FFY 2020 Intended Use Plan**

Estimated Sources as of December 31, 2018

Anticipated Capitalization Grants for Drinking Water State Revolving Fund	\$ 40,064,465
Cash Balance *	\$ 40,024,968
Anticipated Loan Repayments and Investment Earnings Net of Bond Payments (1/1/19 - 9/30/21)	\$ 54,193,196

Total Estimated Sources

\$ 134,282,629

Estimated Uses

Undisbursed Amounts Committed to Existing Projects	\$ 3,152,177
Anticipated Funds Committed to Drinking Water Set-Aside Activities	\$ 13,167,575
Anticipated Direct Loans Closing between 1/1/19 and 9/30/19	\$ 3,005,930
Anticipated Grants Awarded between 1/1/19 and 9/30/19	\$ 3,157,841
Anticipated Additional Subsidization Available for FFY 2020 DWSRF IUP Projects	\$ 18,602,841
Anticipated Loan Funds Available for FFY 2020 DWSRF IUP Projects	\$ 93,196,265

Total Estimated Uses

\$ 134,282,629

* On October 18, 2018, the Environmental Improvement and Energy Resources Authority (EI ERA) issued bond series 2018A in tax exempt revenue bonds, of which \$10,020,000 was for the Drinking Water program. The bond proceeds will be disbursed as state match to Drinking Water capitalization grants. The proceeds will support approximately three years of state match requirements to the FFY2018, 2019, and 2020 capitalization grants. The bond proceeds were deposited into the Water & Wastewater Loan Revolving Fund for disbursement.

Loan and Grant Commitments 1/1/19 through 9/30/19

	Loan	Grant	Total
Memphis	\$ 1,730,930	\$ 1,882,841	\$ 3,613,771
Buchanan PWSD No. 1	\$ 1,275,000	\$ 1,275,000	\$ 2,550,000
Total Commitments 1/1/19 through 9/30/19	\$ 3,005,930	\$ 3,157,841	\$ 6,163,771

Project Priority Lists

A comprehensive list of fiscal year 2020 applicants is followed by the Project Priority Lists.

- The Fundable Project List may change significantly between the draft Intended Use Plan placed on public notice and the final version approved by the Safe Drinking Water Commission.
- The inclusion of a project on the Fundable List is not a guarantee of funding. Other factors, such as timely progress toward funding, compliance with program requirements, and funding availability, may impact project funding.
- Projects carried over from the 2019 Intended Use Plan remain eligible for the 2020 fiscal year and retain the points and additional subsidization they received under the criteria in effect at the time they initially applied unless the Missouri Safe Drinking Water Commission bypassed or removed the project, or the proposed loan recipient has requested to be removed.
- Per 10 CSR 60-13.020, applications are valid for two Intended Use Plan cycles. Those projects not meeting program criteria within the allotted two-year cycle will have their allocated funds released and reallocated to other projects. Reapplication to the program is possible at the end of the two-year cycle, but a project's position on a fundable, contingency, or planning list may change with each subsequent application. Carry-over projects in the fiscal year 2020 Intended Use Plan must reapply by February 15, 2020, in order to compete for funding in the fiscal year 2021 Intended Use Plan.
- For more information on the DWSRF Program, contact the Department's Financial Assistance Center at 573-751-1192 or fac@dnr.mo.gov.

List of Fiscal Year 2020 Applicants

	Applicant	Priority Points	Service Area Pop.	Financial Assistance Request
C	Bowling Green (Treatment and Distribution)	60	5,334	\$ 2,254,000
C	Brashear	54	273	\$ 950,748
	Camden County PWSD #1	95	1,165	\$ 3,417,000
C	Carrollton PWS	45	3,784	\$ 4,180,647
C	Centertown	114	278	\$ 2,929,515
C	Centralia	25	4,027	\$ 2,516,290
	Chamois	105	396	\$ 1,514,707
	Clarkton	82	1,288	\$ 3,627,052
C	Lanagan	105	420	\$ 400,000
C	Laurie	45	945	\$ 1,313,795
C	Madison County PWSD #1	85	1,009	\$ 3,227,225
	Marshfield	73	6,633	\$ 6,151,126
	Missouri American Water-Jefferson City Plant Upgrades	40	32,000	\$ 19,237,104
	Newburg	90	470	\$ 1,129,826
C	Pierce City	71	1,261	\$ 4,693,170
C	Plattsburg	81	2,319	\$ 3,829,785
	Princeton	115	1,166	\$ 2,064,063
	Saline County PWSD #1	52	591	\$ 1,096,462
	Silex	100	283	\$ 2,266,138
	Southwest Rural Water Supply	77	2,700	\$ 1,921,500
C	Urbana	55	417	\$ 1,161,933
	Warsaw	65	2,125	\$ 4,905,003
Total Comprehensive List Projects				\$ 74,787,089

Allocation of Available Loan Funds

Missouri law requires that twenty percent and fifteen percent of available funds, respectively, shall be made available to water systems serving populations of 3,300 or less (designated as very small communities) and water systems serving populations of 3,301 to 9,999 (designated as small communities). The remaining sixty five percent (designated for general community) is not restricted by population served.

- The fundable project lists may change significantly between the draft Intended Use Plan placed on public notice and the final version approved by the Safe Drinking Water Commission.
- The inclusion of a project on the fundable list is not a guarantee of funding. Other factors, such as timely progress, compliance with program requirements and funding availability, may impact project funding.
- If a system is utilizing an Engineering Report Services Grant from the Department, their SRF project was reduced by the total engineering grant amount.

Allocation of Available Funds

Funding Category	Percent of Fundable List Allocation	Loan	Additional Subsidization	Total
Very Small Community (1)	20%	\$ 3,756,980	\$ 18,602,841	\$ 22,359,821
Small Community (2)	15%	\$ 16,769,866	\$ -	\$ 16,769,866
General Community	65%	\$ 72,669,419	\$ -	\$ 72,669,419
Total Allocation of Available Funds		\$ 93,196,265	\$ 18,602,841	\$ 111,799,106

(1) Service area population of 3,300 or fewer.

(2) Service area population of 3,301 to 9,999.

Financial Summary of the Fundable Projects

	Loans				Additional Subsidization			
	Very Small Community	Small Community	General Community	Total	Very Small Community	Small Community	General Community	Total
Allocation of Available Funds	\$ 3,756,980	\$ 16,769,866	\$ 72,669,419	\$ 93,196,265	\$ 18,602,841	\$ -	\$ -	\$ 18,602,841
Total Projects on Fundable List (1)	\$ 18,768,043	\$ 12,848,063	\$ 19,237,104	\$ 50,853,210	\$ 18,602,841	\$ -	\$ -	\$ 18,602,841
Transfer	\$ 3,921,803	\$ (3,921,803)		\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11,089,260		\$ (11,089,260)					
Funding Assistance Planned (2)	\$ 18,768,043	\$ 12,848,063	\$ 61,580,159	\$ 93,196,265	\$ 18,602,841	\$ -	\$ -	\$ 18,602,841
Balance Available after Projects Funded (3)	\$ -	\$ -	\$ 42,343,055	\$ 42,343,055	\$ -	\$ -	\$ -	\$ -

(1) From the Project Lists on the subsequent pages.

(2) Funding Assistance Planned = Allocation + Transfers.

(3) Balances may be shifted to other categories to fund projects that are ready to proceed.

DWSRF Fiscal Year 2020 Project Priority Lists

Carryover	Disadvantaged	Priority Points	Applicant	Project #	Description/ Needs Category	Service Area Population	Amount Requested	Loan Amount	Additional Subsidization Amount	Est. Financing Schedule FY - Quarter
<i>Note: An explanation of the abbreviations and codes appears at the end of the project lists.</i>										
FUNDABLE LIST - AVAILABLE FUNDS (Debt instrument secured and facility plan submitted)								\$ 93,196,265	\$ 18,602,841	
Very Small Community (Systems that serve a population of 3,300 or fewer)								\$ 18,768,043	\$ 18,602,841	
	D	115	Princeton	DW291370-01	TP, Dis, Stor Rehab, Well, Well Rehab	1,166	\$ 2,064,063	\$ 516,016	\$ 1,548,047	20-4
C	D	114	Centertown	DW291337-02	Stor, Dis, Well	278	\$ 2,929,515	\$ 929,515	\$ 2,000,000	20-4
	D	105	Chamois*	DW291365-01	Well, Stor Rehab, Dis	396	\$ 1,514,707	\$ 345,000	\$ 1,035,000	20-4
C	D	105	Lanagan	DW291374-01	TP, Dis	420	\$ 400,000	\$ 100,000	\$ 300,000	20-1
	D	100	Silex	DW291377-01	TP, Dis, Stor	283	\$ 2,266,138	\$ 566,534	\$ 1,699,604	20-4
	D	95	Camden County PWSD #1	DW291373-01	Dis, Stor, TP, Stor Rehab, Well, Well Rehab	1,165	\$ 3,417,000	\$ 1,417,000	\$ 2,000,000	20-4
	D	90	Newburg	DW291229-02	Dis, Stor, Well Rehab	470	\$ 1,129,826	\$ 282,456	\$ 847,370	20-4
C	D	85	Madison County PWSD #1	DW291364-01	Dis, Well, Stor	1,009	\$ 3,227,225	\$ 1,227,225	\$ 2,000,000	20-2
	D	82	Clarkton*	DW291372-01	Dis, Stor Rehab, Well Rehab, TP	1,288	\$ 3,627,052	\$ 995,000	\$ 2,000,000	20-4
C	D	71	Pierce City	DW291345-01	Dis, Stor Rehab, TP	1,261	\$ 4,693,170	\$ 2,693,170	\$ 2,000,000	20-2
	D	65	Warsaw*	DW291293-02	Dis	2,125	\$ 4,905,003	\$ 1,278,700	\$ 1,316,024	20-4
C	D	55	Urbana	DW291367-01	Dis	417	\$ 1,161,933	\$ 290,483	\$ 871,450	20-4
C	D	45	Laurie	DW291312-02	Dis	945	\$ 1,313,795	\$ 328,449	\$ 985,346	20-3
C		81	Plattsburg	DW291210-03	Dis, Stor	2,319	\$ 3,829,785	\$ 3,829,785	\$ -	20-4
		77	Southwest Rural Water Supply	DW291371-01	Dis, Stor, Well	2,700	\$ 1,921,500	\$ 1,921,500	\$ -	20-4

Carryover	Disadvantaged	Priority Points	Applicant	Project #	Description/ Needs Category	Service Area Population	Amount Requested	Loan Amount	Additional Subsidization Amount	Est. Financing Schedule FY - Quarter
C		54	Brashear	DW291347-01	Stor	273	\$ 950,748	\$ 950,748	\$ -	20-4
		52	Saline County PWSD #1	DW291359-01	Dis, Stor	591	\$ 1,096,462	\$ 1,096,462	\$ -	20-4
Very Small Community Total							\$ 40,447,922	\$ 18,768,043	\$ 18,602,841	
Balance								\$ -	\$ -	
Small Community (Systems that serve a population of 3,301 to 9,999)								\$ 12,848,063	\$ -	
		73	Marshfield	DW291148-04	TP, Stor, Well Rehab	6,633	\$ 6,151,126	\$ 6,151,126	\$ -	20-1
C		45	Carrollton PWS	DW291368-01	Dis	3,784	\$ 4,180,647	\$ 4,180,647	\$ -	20-2
C		25	Centralia	DW291366-01	TP	4,027	\$ 2,516,290	\$ 2,516,290	\$ -	20-1
Small Community Total							\$ 12,848,063	\$ 12,848,063	\$ -	
Balance								\$ -	\$ -	
General Community								\$ 61,580,159	\$ -	
		40	Missouri American Water - Jefferson City Plant Upgrades	DW291375-01	TP, Dis, Stor	32,000	\$ 19,237,104	\$ 19,237,104	\$ -	20-1
General Community Total							\$ 19,237,104	\$ 19,237,104	\$ -	
Balance								\$ 42,343,055	\$ -	
Total Fundable List Projects							\$ 72,533,089	\$ 50,853,210	\$ 18,602,841	
Balance of Fundable List								\$ 42,343,055	\$ -	

FUNDABLE CONTINGENCY LIST									
(Debt instrument secured and facility plan submitted; fundable if funds become available)							\$ -	\$ -	
						\$ -	\$ -	\$ -	
Total Fundable Contingency Projects							\$ -	\$ -	\$ -

Carryover	Disadvantaged	Priority Points	Applicant	Project #	Description/ Needs Category	Service Area Population	Amount Requested	Loan Amount	Additional Subsidization Amount	Est. Financing Schedule FY - Quarter
CONTINGENCY LIST (Either debt instrument or facility plan has not been submitted)								\$ -	\$ -	
							\$ -	\$ -	\$ -	
Total Contingency Projects							\$ -	\$ -	\$ -	
PLANNING LIST - AVAILABLE FUNDS (Debt instrument and facility plan not yet secured/submitted)								\$ -	\$ -	
C		60	Bowling Green (Treatment and Distribution)	DW291167-04	TP, Dis	5,334	\$ 2,254,000	\$ -	\$ -	
Total Planning List Projects							\$ 2,254,000	\$ -	\$ -	

Description Reference List		
	TP - Treatment	Well - Well
C Carried over from the last Intended Use Plan	Stor – Storage	Stor Rehab - Storage Rehabilitation
D Disadvantaged	Dis – Distribution	Well Rehab - Well Rehabilitation
	Rehab - Rehabilitation	

Notes:

* Applicant has a max bonding capacity that the loan amount cannot exceed.

Final eligible costs will be determined as documents are submitted and the project progresses toward loan closing.

Financing schedule shown is for planning purposes only. Final scheduling will be determined as documents are submitted and approvals obtained. Carry over projects from the fiscal year 2020 list must reapply to be considered for the fiscal year 2021 list.

Distribution of Loan Administration Fees

The fees charged by the Missouri DWSRF program are not included as principal in loans. Dependent upon the source of the loan, as well as the timing of the receipt of the administration fee, the administration fee is considered to be program income.

The administration fees collected are considered:

- program income earned during the capitalization grant period.
- program income earned after the capitalization grant period.
- non-program income.

Source And Distribution Of Funds			
Loan Administration Fees¹			
As of Dec. 31, 2018			
Income	Program Income Earned During Grant Period	Program Income Earned After Grant Period	Non-Program Income
Beginning Balance as of 07/01/18	\$ 1,614,532	\$ 327,648	\$ 85,244
FY 19 Income (thru 12/31/18)	\$ 51,712	\$ 452,507	\$ 81,339
FY 19 Interest Earnings (thru 12/31/18)	\$ 13,239	\$ 5,659	\$ 1,206
Subtotal	\$ 1,679,483	\$ 785,814	\$ 167,789
Expenditures Thru 12/31/18			
FY 19 Program Administration	\$ (1,685)	\$ (29,267)	\$ -
FY 19 PSD Expenditures	\$ -	\$ (25,000)	\$ (25,000)
FY 19 Transfer to Loan Program (FFY 2018 State Match) ²	\$ -	\$ -	\$ -
Subtotal	\$ (1,685)	\$ (54,267)	\$ (25,000)
Income Less Expenditures	\$ 1,677,798	\$ 731,547	\$ 142,789
Projected Income			
FY 19 Income (01/01/19 - 06/30/19)	\$ 73,041	\$ 307,952	\$ 93,511
FY 19 Interest Income (01/01/19 - 06/30/19)	\$ 10,957	\$ 7,065	\$ 2,671
FY 20 Income (07/01/19 - 06/30/20)	\$ 157,303	\$ 699,078	\$ 186,819
FY 20 Interest Income (07/01/19 - 06/30/20)	\$ 21,331	\$ 22,250	\$ 2,860
Subtotal	\$ 262,632	\$ 1,036,345	\$ 285,861
Projected Expenditures			
FY 19 Program Administration	\$ (270,668)	\$ (262,412)	\$ -
FY 19 State Parks Drinking Water Infrastructure	\$ -	\$ -	\$ -
FY 19 Technical Assistance Grants	\$ -	\$ -	\$ -
FY 20 Transfer to Loan Program (FFY 2019 State Match) ³	\$ -	\$ -	\$ -
FY 20 Program Administration	\$ (250,463)	\$ -	\$ (213,357)
FY 20 Technical Assistance Grants	\$ -	\$ (25,000)	\$ (25,000)
Subtotal	\$ (521,131)	\$ (287,412)	\$ (238,357)
Total Actual and Projected	\$ 1,419,299	\$ 1,480,480	\$ 190,293

¹ The distribution of loan administration fees to various Department activities is subject to change throughout the Fiscal Year. Actual fund uses will be shown in detail in the Fiscal Year 2020 Drinking Water State Revolving Fund Annual Report. FY 2020 projected expenditures do not automatically carry over from 1 year to the next.

² Loan administration fees were transferred into the loan program and used as the source of state match for the FFY 2018 Capitalization Grant.

³ The Department may utilize proceeds of a bond sale or a transfer of loan administration fees to generate state match for FFY 2019 Capitalization Grant. A loan administration fee transfer for state match is shown to illustrate the fee balance for such alternative.

During the grant period, is defined as the time between the effective date of the grant award and the ending date of the award reflected in the final grant financial report.

Administration fees charged by the program are deposited into an account outside of the DWSRF Fund. In accordance with federal regulations, fees charged by the program may be used for program administration or other purposes in accordance with 40 CFR 31.25 (g)(2) and (3) and federal capitalization grant requirements.

The Department may use loan administration fees or proceeds from a bond sale as state match for the federal fiscal year 2019 federal capitalization grant. If loan administration fees are used, the fees held outside the revolving fund will be transferred into the DWSRF fund for distribution through the loan program.

Appendix 3: State Revolving Fund Program Administration

The Department's Water Protection Program is the delegated authority for the administration of federal funds made available to the state under the provisions of the Safe Drinking Water Act by the EPA. The funds are for financing a variety of eligible projects and are to be used in perpetuity for low-interest loans made from the Drinking Water State Revolving Fund (DWSRF).

This Intended Use Plan describes the proposed use of funds reserved for financial assistance for drinking water infrastructure improvements during fiscal year 2020 (Oct. 1, 2019 to Sept. 30, 2020). This Intended Use Plan shall remain effective until Sept. 30, 2020, or until such time as the fiscal year 2021 Intended Use Plan becomes effective.

Cash flow model

Missouri uses the cash flow model for the DWSRF.

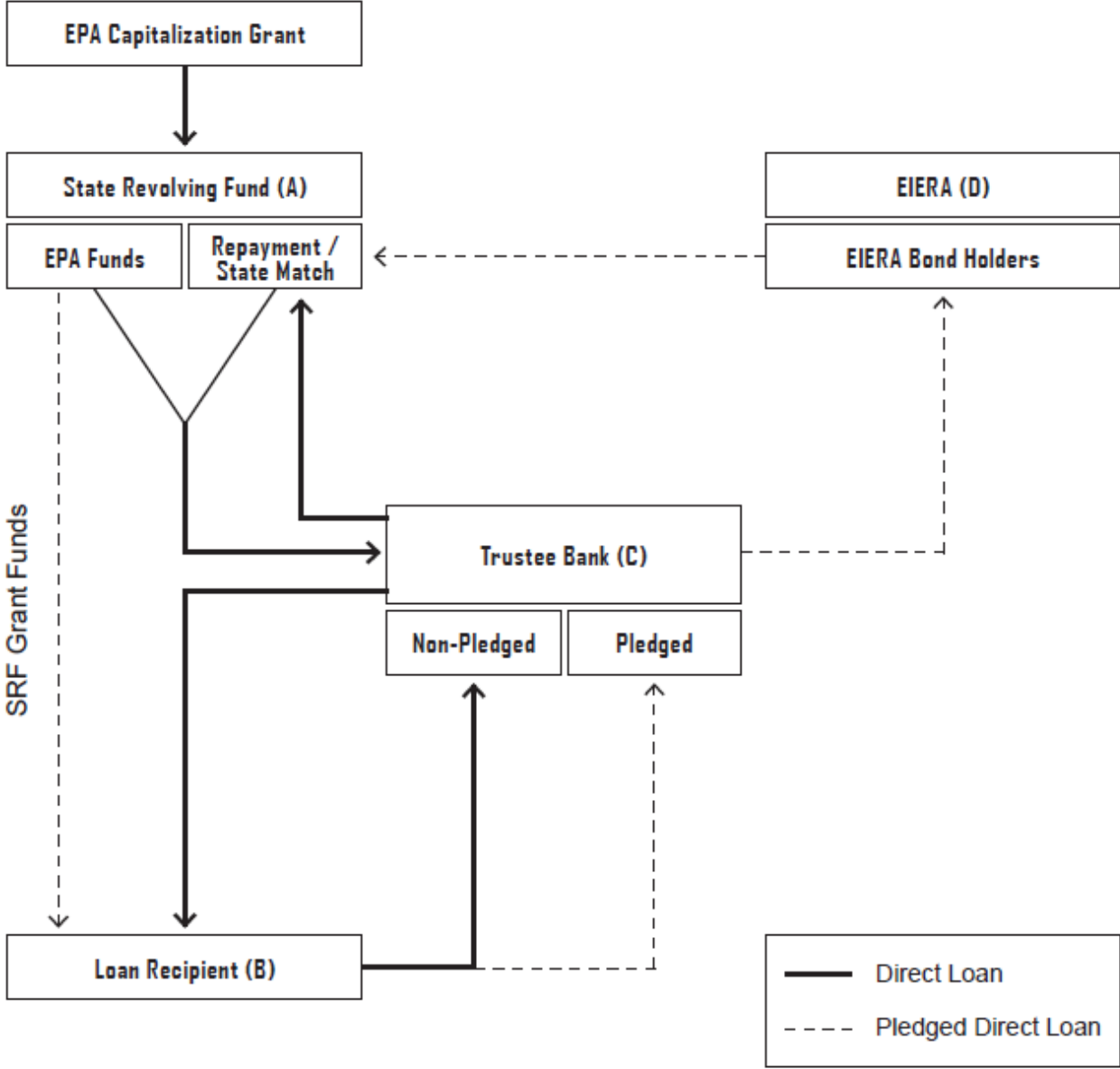
The cash flow model diagram on the following page illustrates the SRF flow of funds. Construction loan repayments must begin within one year after the first operational contract is substantially completed; that is, the facilities are placed into operation. The loan repayment schedules will generally consist of semi-annual interest payments and semi-annual or annual principal payments. The trustee bank holds the periodic participant repayments in separate recipient accounts outside the DWSRF. Interest earnings on these recipient accounts are credited to the communities' debt service account, which reduces the amount of interest to be paid by the communities.

The Department receives federal Capitalization Grants from EPA. There is a 20 percent state match required to receive the grants. The funds are deposited into the State Revolving Fund (A) and are used in accordance with applicable federal and state program requirements. State match funds are disbursed prior to using Capitalization Grant funds.

Under the cash flow model loan program, the Department purchases the debt obligations of the participants directly. As construction progresses, funds are released from the DWSRF (A) to the recipient (B) through the trustee bank (C) so the construction costs can be paid. Recipients of additional subsidization receive the funds directly from the DWSRF program. Upon completion of the project, the loans are adjusted to reflect the final loan amount.

Loan recipients send their loan principal and interest payments to the trustee bank (C). At such time as the DWSRF program needs to replenish the repayment fund, the EIARA (D) exercises its authority to sell bonds, and the direct loans are pledged to retire the EIARA debt. The proceeds of this sale are deposited into the DWSRF repayment account. The principal and interest payments on the EIARA bonds are secured through the pledge of the direct loan principal and interest payments from previous DWSRF program participants. Any surplus principal and interest that is not needed for the EIARA debt service is deposited into the repayment account.

DWSRF Cash Flow Model



Cross-collateralization of funds

The U.S. Departments of Veterans Affairs and Housing and Urban Development, and the Independent Agencies Appropriations Act of 1998 (Public Law 105-65), authorized limited cross-collateralization between the DWSRF and the Clean Water SRF. Cross-collateralization allows states to use Clean Water SRF funds as security for bonds issued to finance DWSRF projects and vice versa. The cross-collateralization of the two funds may enhance the lending capacity of one or both SRFs. State statute 644.122, RSMo. provides the state’s legal authority to implement cross-collateralization.

Transfer of Funds from the Drinking Water State Revolving Fund to the Clean Water State Revolving Fund

Section 302 of the Safe Drinking Water Act Amendments of 1996 authorized the transfer of funds between the DWSRF and the Clean Water SRF. The rules governing the transfer of funds limit the dollar amount a state can transfer to no more than 33 percent of a DWSRF capitalization grant. As funding is available and as needs arise, the Department can transfer loan funds with the approval of the Missouri Safe Drinking Water Commission, the Missouri Clean Water Commission, and EPA. Transfers between the two funds may enhance the lending capacity of one or both state revolving funds. State statute 644.122, RSMo. provides Missouri’s legal authority to implement this transfer of funds. No transfers are planned for fiscal year 2020.

A listing of current and recent transfers is below:

Fiscal Year	Clean Water SRF	DWSRF
2013	\$10,000,000	(\$10,000,000)
2013*	\$18,500,000	(\$18,500,000)
2015	(\$5,000,000)	\$5,000,000
2016	(\$5,000,000)	\$5,000,000

*Federal capitalization grant portion.

The Department, with prior approval from the Missouri Safe Drinking Water Commission, the Missouri Clean Water Commission, and EPA as appropriate, reserves the right to make additional transfers in the future.

Assistance for disaster relief

The Department may provide financial assistance to projects that address direct or indirect damage to a drinking water system in a state or federally declared disaster area. Funding is available under the DWSRF loan and Drinking Water State Direct Loan Program for disaster-related projects. The Department may provide these projects with advanced authority to construct in accordance with 10 CSR 60-13.030(4). These projects may be given preferential priority ranking when determining the use of uncommitted DWSRF loan funds.

Allocation of Drinking Water Capitalization Grant

This section summarizes previously awarded federal capitalization grants and the anticipated award of the 2019 grant.

The Safe Drinking Water Act Amendments of 1996 authorize funding for the DWSRF, and Congress appropriates this funding annually. Each state and U.S. territory is eligible for a portion of this funding. The act authorizes EPA to use a portion of the funding for health effects studies, small system technical assistance, monitoring of unregulated contaminants, and operator certification reimbursement grants. EPA allots the remaining funds appropriated for the DWSRF to each state based on the state's proportional share of total eligible needs reported for the most recent drinking water infrastructure needs survey, which is conducted every four years.

Capitalization grant allocation for Missouri's Drinking Water State Revolving Fund Program

Federal capitalization grants will be used to fund loans, additional subsidization, and authorized set-aside activities for federal fiscal year 2019. The Department reserves up to 31 percent of the grants for authorized set-aside activities. If the Department does not use the full 31 percent for set-aside activities, the difference will be used for financing infrastructure projects.

Set-Aside Funds

Federal appropriations for the DWSRF program are used primarily to fund low-interest loans to public drinking water systems for high priority infrastructure projects. However, the Safe Drinking Water Act allows states to reserve up to 31 percent of the federal capitalization grant to fund authorized activities that support public drinking water program activities. This is referred to as the set-asides.

Activities supported by the set-asides include supplemental funding to support the state primacy program, capacity development, wellhead protection, operator certification; and technical, managerial, and financial capacity assistance to public water systems. Set-aside activities are implemented and managed by the Department's Public Drinking Water Branch.

This section of the Intended Use Plan indicates how the Department intends to use the set-asides that will be available from the federal fiscal year 2019 capitalization grant.

A. Distribution of Set-Aside Funds

The Department intends to reserve 31 percent of the federal fiscal year 2019 capitalization grant for set-asides and will deposit those funds in a separate account. Table 1 shows the intended distribution of these set-asides.

The Department reserves the right to reserve the unused set-asides authority from the federal fiscal year 2019 capitalization grant for future set-aside expenditures.

Table 1. Distribution of Set-Aside Funds

Set-Aside Activities	Percent Capitalization Grant	Amount
DWSRF Administration and Technical Assistance	4 percent	\$775,960
Small System Technical Assistance	2 percent	\$387,980
Public Water System Supervision	10 percent	\$1,939,900
Local Assistance and Other State Programs	15 percent	\$2,909,850
Total	31 percent	\$6,013,690

B. Description of Set-Aside Activities

1. DWSRF Administration and Technical Assistance

This set-aside provides funding to administer the programs established under section 1452 of the federal Safe Drinking Water Act and to provide technical assistance to public water systems. A state can reserve a maximum of 4 percent of the capitalization grant for these purposes.

The Department is reserving the entire 4 percent available under this set-aside. It will use this funding for salaries and associated expenses of program personnel to administer the DWSRF loan program, including the following:

- Assistance to loan applicants and loan recipients.
- Project review and approval.
- Assistance with the needs survey, project prioritization, loan issuance, payment, and accounting activities.
- Tracking repayments and project inspections.

In addition, the Department will use the set-aside for equipment and training staff.

The Department may also use a portion of this funding to contract for assistance to help potential loan applicants with setting rates or with other similar tasks that may serve as a barrier to meeting loan eligibility criteria.

If the Department does not use the entire authorized amount, it will reserve the unused balance and use it for technical assistance to small systems the following year.

2. Small Systems Technical Assistance

This set-aside provides technical assistance to public water systems that serve 10,000 or fewer people. The Department intends to continue using this set-aside to assist small public water systems in the following ways:

- Complying with existing and near-term federal Safe Drinking Water Act requirements.
- Grants for obtaining Engineering Report Services.

- Other technical assistance activities that will improve compliance with safe drinking water requirements.

The Department will provide technical assistance using staff and subawards.

The Department is taking the full 2 percent allowed for this set-aside. If it does not use the entire authorized amount, it will reserve the unused balance and use it for technical assistance to small systems the following year.

3. Public Water System Supervision

This set-aside can be used for the following:

- Primacy program support.
- Developing and implementing a capacity development strategy.
- Operator certification.

The Department has used and intends to continue using this set-aside for these authorized activities.

Examples of the activities funded by this set-aside include:

- Primacy program activities, including program administration, inspections and sanitary surveys, rule development, primacy applications, compliance and enforcement, information and data management.
- Technical assistance.
- Capacity development strategy development and implementation.
- Operator certification program administration.
- Administration of grant programs for well plugging.
- Comprehensive Performance Evaluation Training.

The Department intends to take the full 10 percent allowed for this set-aside. If the Department does not use the entire authorized amount of this set-aside, it will reserve the unused balance and use it for eligible activities the following year.

4. Local Assistance and Other Programs authorized by Section 1452(k) of the Safe Drinking Water Act

The act allows states to set aside up to 15 percent of the capitalization grant for the following:

- Source water protection loans to acquire land or easements.
- Source water protection loans to implement local, voluntary source water protection programs.
- Assistance, including technical, managerial, and financial assistance, to any public water system as part of a capacity development strategy.
- Expenditures for the establishment and implementation of wellhead protection programs compliant with section 1428 of the act.

The Department intends to use this set-aside to provide technical, managerial, and financial assistance to public water systems as part of the capacity development strategy and for wellhead protection. The Department is setting aside 15 percent of the capitalization grant for these purposes. If the Department does not use the entire authorized amount, it will reserve the unused balance and use it for eligible expenses the following year or transfer funds to the loan program.

The types of activities the Department intends to fund with this set-aside include, but are not limited to, the following:

- Contracting circuit riders to provide leak detection surveys; compliance assistance; operator training; and technical, managerial, and financial capacity assistance to water systems.
- Grants to community water systems to plug abandoned drinking water wells that threaten aquifers.
- Contracting with the University of Missouri for maintaining public water system source water assessment and delineation information.
- Providing vouchers to eligible community and non-transient non-community water systems to defray the costs associated with operator training and certification.
- Perform Vulnerability Assessments and Groundwater Under the Influence determinations.
- Other activities as appropriate to implement the capacity development strategy or promote wellhead protection.

Appendix 4: Environmental Protection Agency Requirements and Assurances

The Department makes a number of program commitments and state assurances related to managing the Drinking Water State Revolving Fund (DWSRF). The Department intends to comply with each of the terms and conditions in the capitalization grant. Notable program commitments are described below:

Federal capitalization grants

The Department receives federal capitalization grants from the EPA. There is a 20 percent state match required to receive the grants. The funds are used in accordance with applicable federal and state program requirements. State match funds are disbursed prior to using capitalization grant funds.

Additional subsidization

Each year, EPA directs the state to utilize a portion of the capitalization grant to provide additional subsidization based on annual appropriations. Missouri safe drinking water regulations allow for DWSRF-eligible recipients to receive additional subsidies in the form of principal forgiveness, negative interest rate loans, grants, or any combination thereof per any federal act and in the form of a loan (e.g. a loan including principal forgiveness or negative interest rates) for the state-defined disadvantaged communities. A summary of the amounts available for this purpose from each capitalization grant appears below.

Capitalization Grant Year	Amount
2015 Federal Fiscal Year Required Amount	\$491,232
2016 Federal Fiscal Year Required Amount	\$3,356,200
2017 Federal Fiscal Year Required Amount	\$3,327,400
2018 Federal Fiscal Year Required Amount	\$3,916,400
2019 Federal Fiscal Year Required Amount	\$3,879,800
2019 Federal Fiscal Year Disadvantaged Required Amount	\$1,163,940
2019 Federal Fiscal Year Disadvantaged Supplemental Amount	\$5,625,710

The federal fiscal year 2019 capitalization grant requires that 20 percent of the \$19,399,000 grant shall be used to provide additional subsidies to any DWSRF-eligible recipient, and that at least 6 percent, but no more than 35 percent, shall go to state-defined disadvantaged communities. The required amount that the Department must utilize to provide additional subsidization for qualifying DWSRF-eligible recipients is \$3,879,800 (20 percent) and \$1,163,940 (6 percent) for qualifying state-defined disadvantaged communities. The Department has the option to utilize an additional amount of \$5,625,710 (29 percent) to provide additional subsidies for the state-defined disadvantaged communities.

These additional subsidization funds will be committed to projects as they become fundable using the guidelines described in Appendix 3.

For each capitalization grant, the Department intends to reserve any carry-over additional subsidization funds for projects the following fiscal year unless modified as described in this plan.

Public review and comment

The IUP is reviewed and adopted annually through a public review and comment process. The IUP describes how it intends to use the DWSRF funds to support the overall goals of the DWSRF program. The IUP, which includes the Priority Project List, Priority Points Criteria and Readiness to Proceed Criteria, is placed on public notice annually to allow for public review and comment. A public meeting is held to allow interested parties to hear testimony from the Department on the draft plan and provide the public an opportunity to comment. The Department considers all written and verbal comments presented during the comment period, makes appropriate modifications, and provides a response to all comments. Any applicant aggrieved by his/her standing may appeal to the commission during the public comment process.

Environmental review

The Department has adopted regulation 10 CSR 60-13.030, which provides for a state environmental review in accordance with the National Environmental Policy Act for projects receiving DWSRF loans. New regulations also allow for acceptance of environmental determinations completed by other state and federal agencies on a case-by-case basis. Projects have a potential need for preparation of an environmental impact statement. A final decision regarding the need for an environmental impact statement will be made on each project during review of the engineering report. Most projects are determined to have no significant impact or can meet a categorical exclusion.

Federal project requirements

A number of federal and state laws and executive orders apply to projects receiving federal financial assistance through the SRF program. Federal requirements that may apply to DWSRF participants include the Davis Bacon Act, American Iron & Steel (AIS), Disadvantaged Business Enterprise, Public Awareness, Water Systems Assessment, Single Audit, various environmental statutes, the Uniform Relocation and Real Property Acquisition Policies Act, Debarment and Suspension Executive Order 12549, restrictions on lobbying, and others. A complete list of requirements that apply to SRF projects is available upon request from the Financial Assistance Center.

Binding commitments

The Department will enter into binding commitments for a minimum of 120 percent of each EPA DWSRF Capitalization grant award. DWSRF Capitalization grant funds are typically fully used within a 2-year period.

Expenditure of funds

The Department will expend all funds in the DWSRF in an expeditious and timely manner.

Anticipated cash draw ratio (proportionality)

Missouri uses the cash flow model of the DWSRF. The federal capitalization grant is not used as security on the state match bonds. State match funds are deposited prior to using capitalization grant funds for set-aside expenditures. State match funds are disbursed prior to using capitalization grant funds for the loan program.

For more information, contact the Department of Natural Resources' Financial Assistance Center at 573-751-1192, fac@dnr.mo.gov or dnr.mo.gov/env/wpp/srf/.

Appendix 5: Drinking Water State Revolving Fund Priority Points Criteria

General Information

This document sets forth the Priority Points Criteria and procedures used to evaluate proposed Drinking Water State Revolving Fund (DWSRF) projects for fiscal year 2021. The priority points criteria forms the basis for project ranking and funding allocation.

The Missouri Department of Natural Resources must prepare annually a DWSRF Intended Use Plan that includes lists of projects expected to qualify for financing within the fiscal year addressed by the plan. Projects are listed so that the most serious problems are given the highest priority. Consistent with the federal Safe Drinking Water Act, priorities are based primarily on protection of public health, compliance with the Act and household affordability. Each project's priority score is generated from assignment of points based on the priority points criteria, and projects are ranked in priority order in each funding category. Only those proposed projects identified within the plan's project lists are eligible to receive financial assistance.

The Department must annually seek public comments on the priority point criteria proposed. The priority points criteria must be approved by the Missouri Safe Drinking Water Commission at least 60 days before the annual application deadline.

Assignment of Priority Points

Priority points shall be assigned only where the proposed project is intended to correct the problem associated with the points. For example, if the public water system has had persistent violations of a Treatment Technique, Maximum Contaminant Level (MCL), or secondary MCL, but the proposed project does not address the persistent violations, then the points associated with those violations will not be assigned.

The sections on Distribution System Reliability (section III.B.) and Design Considerations (section III.F.) are limited to a maximum of 20 points each. This is done to ensure projects addressing MCL violations are not overwhelmed by projects addressing only design considerations or distribution system problems. The 25 points available for violations of acute risk contaminant MCLs are used as the baseline in developing the priority point criteria.

Projects will be ranked by the total number of points received. In the event of a tie, the projects receiving the highest number of points under Distribution System Reliability and Design Considerations (sections III.B. and III.F.) with the 20-point maximum limits lifted will receive the higher ranking. If the projects are still tied, the secondary tie-breaking criteria will be number of affordability points. The applicant with the highest affordability points will receive the higher ranking. If the projects are still tied, the third tier of tie-breaking criteria will be the number of people served. The system serving the larger number of people will receive the higher ranking.

Projects that involve the refinancing of existing debt will receive priority points only for affordability.

No priority points shall be assigned to a project intended to correct deficiencies resulting from inadequate operation and maintenance of the public water system.

Priority point assignment and listing in the plan does not guarantee all financial and project eligibility requirements have been met.

Priority Points

I. Safe Drinking Water Act Compliance

Only projects for existing eligible public water systems as defined in 40 CFR 35.3520 will be assigned points under this section. See the lists on pages 35 and 36, Safe Drinking Water Act Compliance Priority Points: Existing and Anticipated Regulations for further explanation of categories A through D below.

- A. Acute Risk Contaminants (such as E coli, turbidity or nitrate). 25 points will be assigned if there have been persistent violations of MCLs or treatment performance criteria for acute risk contaminants within the past 36 calendar months.
- B. Treatment Technique Requirements. 20 points will be assigned if there have been persistent violations of treatment technique requirements (for example, the Surface Water Treatment Rule, lead and copper, etc.).
- C. Non-Acute Risk Contaminants
 - 1. 25 points will be assigned if there have been persistent violations of any non-acute risk primary MCL within the past 36 calendar months.
 - 2. 10 points will be assigned if there have been persistent violations of any secondary MCL within the past 36 calendar months.
- D. Anticipated Federal Regulations. 10 points will be assigned if the proposed project will enable the public water system to comply with anticipated federal regulations identified on the attached list, Safe Drinking Water Act Compliance Priority Points: Existing and Anticipated Regulations.
- E. Compliance. 15 points will be assigned if the proposed project will enable an eligible public water system to comply with an administrative order, a bilateral compliance agreement, or other enforceable document issued by the Department.

II. Public Health

- A. Waterborne Disease Outbreak. 25 points will be assigned if a waterborne disease outbreak declared by the Missouri Department of Health and Senior Services is attributable to an existing public water system and 51 percent or more of the cost of the proposed project addresses the problem(s) causing the waterborne disease outbreak.

B. Inadequate Water Supply

1. 10 points will be assigned if an existing public water system can document its inability to consistently maintain at least 35 pounds per square inch (psi) as a normal working pressure in the distribution system.
2. 10 points will be assigned if an existing public water system can document its inability to consistently maintain pressures of at least 20 psi at all service connections, including fire flow.
3. 20 points will be assigned if the private or noncommunity wells or sources in the proposed project service area are unable to consistently provide an adequate amount of potable water for general household purposes and 51 percent or more of the cost of the proposed project addresses this need. Private or noncommunity wells or sources contaminated by commercial, industrial or mining wastes will be considered in this category.

III. Public Water System Infrastructure Improvement Note: Only projects for existing eligible public water systems will be assigned points under this subsection.

A. System source reliability.

1. 10 points will be assigned to a project that addresses a need for a new backup well or a backup interconnection with another public water system.
2. 10 points will be assigned if the system has one or more improperly constructed wells.

B. Distribution system reliability. (Limited to a maximum of 20 points.)

Reminder: After points have been calculated for all eligible applicants, ties will be broken by calculating total points possible under this section and section III.F., design considerations, without the 20-point limitations. The project receiving the higher score under these two sections without the 20-point limitations will be ranked above the project receiving the lower score.

1. 10 points will be assigned if the system has water loss that exceeds 10 percent of the drinking water produced by the system.
2. 10 points will be assigned if the distribution system is anticipated to exceed design capacity or useful facility life within the next five years.
3. 10 points will be assigned if the distribution system has faulty waterlines or substandard waterline materials.
4. 5 points will be assigned if the public water system requires additional system isolation and flushing measures.
5. 5 points will be assigned if the public water system requires looping of water waterlines.

C. Disinfection. 15 points will be assigned if a public water system is unable to maintain a disinfectant residual at all points in its distribution system.

- D. 10 points will be assigned if a system has storage facilities in poor condition, not related to inadequate maintenance of the facilities.
- E. Reliability of service. 10 points will be assigned if a system has water storage capacity that is less than one day's average use or lacks adequate standby power.
- F. Design considerations. (Limited to a maximum of 20 points)

Reminder: After points have been calculated for all eligible applicants, ties will be broken by calculating total points possible under this section and section III.B., system distribution reliability, without the 20- point limitations. The project receiving the higher score under these two sections without the 20-point limitations will be ranked above the project receiving the lower score.

- 1. 20 points will be assigned if the source or treatment facility is anticipated to exceed its useful life or if the demand is expected to exceed the design capacity within the next five years.
 - 2. 20 points will be assigned if a system has suffered significant degradation of the quality of the raw water supply.
 - 3. 20 points will be assigned if a system has suffered significant degradation of the quality of finished water in storage.
 - 4. 10 points will be assigned if a system currently does not meet existing state requirements for the treatment or storage of waste residues generated by the water treatment plant.
- G. 20 points will be assigned if the treatment facility(ies) for required disinfection or turbidity removal are severely deteriorated and beyond the facility useful life.
 - H. Vulnerability.
 - 1. 10 points will be assigned to a water system whose source is vulnerable to natural disasters (such as flood or drought) or contamination.
 - 2. 10 points will be assigned to a water system whose treatment plant is vulnerable to natural disasters (such as flood, earthquake, etc.) or contamination.
 - I. Wellhead and Source Water Protection. 10 points will be awarded to applicants who have a Department-approved wellhead or source water protection plan.

IV. Affordability Only community water system projects will be assigned points under this section.

- A. Annual Median Household Income. The statewide annual median household income levels of the state must be determined from income data from the latest decennial census of the United States or by an income survey overseen by a state or federal agency. The median household income data can be found at the following web address:
http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml.

1. A community water system will use the annual decennial median household income for the appropriate political subdivision or subdivisions encompassing its service area.
2. A nonmunicipal community water system will use the annual decennial median household income for the smallest political subdivision encompassing the nonmunicipal community water system.

B. Assignment of Points. (Limited to a maximum of 25 points)

1. 10 points will be assigned a project if the median household income of the applicant is less than 75 percent of the state median household income as reported in the most recent decennial census.
2. From 1 to 25 points will be assigned, determined by the ratio of their current monthly water bill for 5,000 gallons of water to the monthly median household income for the project area to be served (expressed in percent times 10 and rounded to the nearest whole number).

For example: Monthly water bill = \$20 Annual median household income = \$24,000
Monthly median household income = $\$24,000/12 = \$2,000$ ($\$20/\$2,000$) x 100% = 1%
1 x 10 = 10 points

V. Additional Priority Point Categories

A. Natural disasters.

1. 10 points will be assigned if 51 percent or more of the proposed project cost is for repair or replacement of an existing public water system damaged or destroyed by a natural disaster. In order to be assigned these points, the project must be located in an area declared a federal or state natural disaster area, and a description of the public water system damaged or destroyed by the natural disaster must be submitted along with a statement that other state or federal disaster relief is not sufficient to meet the costs of the project.
2. 20 points will be assigned for systems affected by drought for projects that will result in interconnections with other systems or for upgrades to existing systems to address drought related problems.
3. 20 points will be assigned to address systems prone to flooding that will result in interconnections with other systems or for upgrades to existing systems to address flood related problems.

B. Consolidation.

1. 20 points will be assigned if the proposed project provides necessary infrastructure upgrades to a primary water system, allowing it to continue or expand service as a regional water supplier.
2. 20 points will be assigned for consolidation of public water systems, where at least one of the systems has demonstrated technical, managerial, and financial capacity with respect to the

National Primary Drinking Water Regulations. This would include newly formed regional water suppliers (generally water districts), which will allow small water systems within their boundaries to consolidate.

3. 10 points will be assigned for consolidation of public water systems where the proposed project will result in a regional management system responsible for the day-to-day operation of the water system, where the management system has the required technical, managerial, and financial capacity to meet the National Primary Drinking Water Regulations. If the project meets the criteria for the points under item V.B.4., points under these criteria will not be awarded.
 4. 20 points will be assigned if the proposed project will result in a new water distribution system or existing distribution system upgrade to meet the standards of a regional water supplier for the purpose of consolidation.
- C. Security. 10 points will be assigned for eligible security measures. Eligible security measures include vulnerability assessments, emergency response plans, fencing, security cameras and lights, motion detectors, secure chemical and fuel storage, security hatches and access panels, cross-connection control, and supervisory control and data acquisition (SCADA).
- D. Board Member or City Council Member Training. 10 points will be assigned if 50 percent of the governing body has received training related to the operation and management of the water utility.
- E. Asset Management. 10 Points will be assigned if the system has completed an asset inventory, including the condition and age of assets, for all critical assets in their system and has incorporated replacement schedules into annual and capital improvement budgets.

SDWA Compliance Priority Points: Existing and Anticipated Regulations

Maximum Contaminant Levels (MCL) and Treatment Technique Requirements. Acute Risk Contaminants

10 CSR 60-4.022 (or Missouri State Revised Total Coliform Rule in effect at the time of application) Maximum Microbiological Contaminant Levels and Monitoring Requirements, subsections (7)(A) and (7)(B).

10 CSR 60-4.030 Maximum Inorganic Chemical Contaminant Levels, Action Levels, and Monitoring Requirements, paragraphs 13, 14, and 15 of subsection (1)(A).

10 CSR 60-4.050 Maximum Turbidity Contaminant Levels and Monitoring Requirements, subsections (2)(A) and (2)(B).

Treatment Technique Requirements

10 CSR 60-04.025 Ground Water Rule, section (4)

- 10 CSR 60-4.050 Maximum Turbidity Contaminant Levels and Monitoring Requirements, section (2).
- 10 CSR 60-4.052 Source Water Monitoring and Enhanced Treatment Requirements, sections (1) and (2)
- 10 CSR 60-4.055 Disinfection Requirements, subsection (1)(A), section (2), section (3), section (4), section (5) and section (6).
- 10 CSR 60-4.094 Disinfectant Residuals, Disinfection Byproduct Precursors and the Stage 2 Disinfectants/Disinfection Byproducts Rule.
- 10 CSR 60-15.010 General Requirements (lead and copper), sections (4), (5) and (6). Non-Acute Primary MCL.
- 10 CSR 60-4.030 Maximum Inorganic Chemical Contaminant Levels, Action Levels, and Monitoring Requirements, section (1).
- 10 CSR 60-4.040 Maximum Synthetic Organic Chemical Contaminant Levels and Monitoring Requirements, section (1).
- 10 CSR 60-4.060 Maximum Radionuclide Contaminant Levels and Monitoring Requirements, subsections (1)(A)-(D).
- 10 CSR 60-4.100 Maximum Volatile Organic Chemical Contaminant Levels and Monitoring Requirements, section (2).

Secondary MCL

- 10 CSR 60-4.070 Secondary Contaminant Levels and Monitoring Requirements, section (1).

New and Anticipated Federal Regulations

None at this time.

Appendix 6: Missouri Drinking Water State Revolving Fund Readiness to Proceed & Distribution of Funds Criteria

General Information

In an effort to ensure that committed loan funds are utilized in a reasonably expeditious manner, the Missouri Department of Natural Resources recognizes the effort of Drinking Water State Revolving Fund (DWSRF) applicants to strive toward completing their proposed project. Also, to ensure availability of DWSRF loan funds to more water systems, the Department maintains an annual funding limitation. Readiness to proceed criteria will be used to determine fundable status and the distribution of available and anticipated DWSRF funds.

Readiness to Proceed

Readiness to proceed is defined as the status of any project that, at a minimum, has submitted a complete engineering report and has secured voter-approved bond authorization or otherwise established an acceptable debt instrument. For the purpose of determination of readiness to proceed, a complete engineering report must adequately address the information required by sections 1-4 of the Engineering Report Submittal Checklist, see <https://dnr.mo.gov/forms/780-2091-f.pdf>. See the Distribution of DWSRF Funds section below for details as to how the Department proposes to list new and carry-over projects in the Drinking Water Intended Use Plan.

Maximum Loan Limit

The maximum amount for a DWSRF loan from any single plan shall not exceed 30 percent of the total available and anticipated loan and grant funds or \$10 million, whichever is less, unless the Department receives approval from the Missouri Safe Drinking Water Commission to exceed such limits.

Distribution of DWSRF Funds

Based on priority points and readiness to proceed, the following describes how the Department intends to list the projects for the purpose of committing DWSRF loan and grant funds. The Department will designate DWSRF projects in the Intended Use Plan, as either fundable, fundable contingency, or planning. Projects designated as fundable are those projects the Department has committed to finance with available or anticipated state revolving funds under the plan. The Department's commitment to fundable projects is to reserve loan funds in the amount requested until the applicant secures the DWSRF loan or until the application period expires. Fundable contingency projects are those projects meeting readiness to proceed but not receiving funding commitments due to the lack of funds.

Projects designated as planning are those projects that have not yet met the definition of readiness to proceed criteria. The Department will initially reserve 20 percent of the available or anticipated uncommitted funds for very small water systems (systems serving 3,300 or fewer people) that submit a loan application meeting the readiness to proceed criteria by the application receipt deadline. The

Department will reserve 15 percent for small water systems (systems serving from 3,301 to 9,999 people) that submit a loan application meeting the readiness to proceed criteria by the application deadline. Any initially reserved funds for small or very small water systems that are not committed will be transferred to the general reserves and made available for projects that meet readiness to proceed criteria and committed according to priority ranking of the projects. Any uncommitted funds available after the application deadline will be committed to projects in the order the projects meet readiness to proceed. In the case where funds reserved for small or very small systems are not fully used, the Department can give preference to such projects in the future.

I. Fundable List

All eligible carry-over applications from last year's fundable list will retain their same funding commitment from the prior Intended Use Plan, unless bypassed. All carry-over applications from last year's fundable contingency list and new DWSRF applications that meet the criterion for readiness to proceed will be placed on the fundable list in order of priority ranking. Those projects below the funding cutoff will be placed on the fundable contingency list. Carry-over projects will retain the points they received in the last year's Intended Use Plan unless they reapplied for consideration under the latest criteria (such projects are then deemed new applications).

II. Fundable Contingency List

These are eligible projects that meet readiness to proceed but due to priority ranking, timing, or funding limitations, will not receive funding commitments. These projects will be ranked on the list in accordance with their priority points. If uncommitted funds become available, the Department, with the commission's approval, will move the highest-ranking project from the contingency list to the fundable list.

III. Planning List

These are the eligible carry-over or new projects that do not meet the readiness to proceed criterion to make the fundable or fundable contingency list. These projects will be ranked according to their priority points. Any application(s) that meet(s) the readiness to proceed criteria, subject to the availability of funding, may be moved to the fundable or fundable contingency list and shall be incorporated into the appropriate list in priority point order.

Bypass Procedures

With the commission's approval, the Department may bypass any project on the fundable list that does not make satisfactory progress toward meeting requirements in order to make the committed funds available to another project that is ready to proceed.

A project may be bypassed if the applicant fails to submit the documents required for assistance at least 60 days prior to the beginning of the quarter for which the assistance is anticipated. Individual schedules developed by the Department, in coordination with the applicant, may be used to determine whether a project is making satisfactory progress during the fiscal year. A project may be bypassed for failure to meet the schedule. The applicant will be notified of the recommendation of their project being bypassed

and the date and time of the commission meeting where the recommendation of bypassing will be presented.

After commission approval, bypassed projects will be removed from the fundable priority list and added to the fundable contingency list. If the application is still valid, it will be placed on a project list, in priority order, for funding consideration in the next federal fiscal year. If not, reapplication will be necessary as outlined in the Intended Use Plan. Funds recovered through project bypass will be considered uncommitted and available for distribution to the next priority project in accordance with the procedures outlined in the Intended Use Plan.



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