

Clean Water SRF Affordability

Stakeholder Meeting | June 17, 2015

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Agenda

- Introductions
- Background
- SRF Subsidizations
- Clean Water SRF Additional Subsidization
Affordability Analysis
- Implementation



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Background

FWPCA

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 Federal Water Pollution Control Act (FWPCA). These amendments affected the Clean Water State Revolving Funding (SRF) program.

www.govtrack.us/congress/bills/113/hr3080/text

FWPCA section 603(i)

- Establish affordability criteria.
- Deadline of September 30, 2015.
- Option to provide grants to offset the high burden of financing wastewater infrastructure projects.
- Must seek public comment and public notice the affordability criteria.

FWPCA section 603(i) & EPA Guidance

- The affordability criteria must contain:
 - Income;
 - Unemployment data;
 - Population trends; and
 - Other data determined relevant by the state.

Missouri Affordability

In 2011, HB89 passed and amended Section 644.145 RSMo. This required the department 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 publicly owned treatment works.

CAFCom

On September 17, 2014, the department issued guidance for conducting and development a “Cost Analysis for Compliance” (CAFCom) previously known as an “Affordability Analysis”.

dnr.mo.gov/env/wpp/cwforum/docs/memo-cost-analysis.pdf



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MEMORANDUM

DATE: **SEP 17 2014**

TO: John Madras, Director
Water Protection Program

THROUGH: Chris Wieberg, Section Chief
Operating Permits Section *CW*

FROM: Lacey Hirschvogel, Environmental Specialist
Domestic Wastewater Unit *LH*

SUBJECT: Guidance for Conducting and Developing a Cost Analysis for Compliance

Please, please read. This has very good information with it and is a good read. Thanks. JPH 9/17/14

The Guidance for Conducting and Developing a Cost Analysis for Compliance document has been updated with the current process and language. The Cost Analysis for Compliance warranted updates after the signing of Senate Bill 642 and Senate Bill 664. The following changes have been incorporated in the attached draft “Guidance for Conducting and Developing a Cost Analysis for Compliance”:

- Title of document has been changed from “Finding of Affordability” to “Cost Analysis for Compliance”;
- Inclusion of a new requirement for the permit writer to use the actual flow in lieu of the design flow if the actual flow is a more representative flow based on the number of connections to the facility and the population trends show that the community is declining and will continue to decline;
- Inclusion of a land application treatment system (up to 150,000 gallons per day) and an extended aeration package plant (up to 50,000 gallons per day) into the cost calculator and cost estimate discussion. This allows a more representative estimate of the financial burden of smaller communities;
- The requirement for the permit writer to include a range of cost estimates for four different mechanical treatment types has been removed. Permit writers will now pick the most practical mechanical treatment option for community based on the design (actual if appropriate) flow of the facility. The estimated cost associated with the most practical mechanical treatment type will be used to complete the analysis along with the cost estimated for land application treatment if applicable;


Recycle Paper



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SRF Subsidizations or Grants

Disadvantaged Communities Reserve

FY2011 – FY2015

- Eligibility:
 - Population of 3,300 or less
 - MHI \leq 75% Missouri MHI
 - User rate (5,000 gallons/month) is \geq 2% applicant's proposed MHI
- Grant Amount (whichever is less):
 - 75% of eligible costs; or
 - \$3,000,000

SRF Additional Subsidization FY2016

- Eligibility:
 - Population of 10,000 or less
 - “High burden” affordability analysis rating
- Grant Amount (whichever is less):
 - 50% of eligible project costs; or
 - \$2,000,000
 - Subject to available grant funds & allocated to projects on a first ready basis



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Clean Water SRF Additional Subsidization Affordability Analysis

Clean Water SRF ASAA

- The department decided to develop a separate affordability analysis from the CAFCom.
- Portions of this analysis are similar to the CAFCom.
- The purpose and determinations of these two affordability analyses are *not* equal.

Clean Water SRF ASAA

- See template available online at dnr.mo.gov/env/wpp/cwforum/docs/srf-afford-second-draft.pdf.



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Implementation

Implementation

1. Applicant submits a SRF application.
2. Staff determine whether the proposed user charge is $\geq 1\%$ of the applicant's proposed MHI.
 - a. If $\geq 1\%$ triggers a CWSRF ASAA.
 - b. If $< 1\%$ no CWSRF ASAA.

Implementation

- The department will focus CWSRF ASAA on applicants who may receive a “high burden”.

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

Implementation

- “High burden” determination for awarding grants is consistent with federal law.
- FWPCA section 603(i)(2)(A)(i)
 - “...a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising revenue necessary to finance a project or activity eligible for assistance...”

Implementation

3. Staff requests the applicant complete the Financial Questionnaire form.
4. Applicant submits a “complete” facility plan.
5. Applicant provides documentation of an acceptable debt instrument.

Implementation

6. Staff will draft a CWSRF ASAA.
7. Staff provide a 15 day pre-review period.
8. Applicant reviews the draft and provides comments. (Time extensions may be requested.)
9. Staff incorporates applicable comments.

Implementation

10. Staff finalizes CWSRF ASAA.
11. Routes for management review.
12. Approval by the FAC Director.
13. Applicant receives a hard copy and another copy is kept in the project file.

Waiver

- Applicants may request in writing that the department not complete an CWSRF ASAA.
- By waiving a CWSRF ASAA, the applicant will not be eligible for additional subsidization (grants) for the project based on the affordability criteria.

Income Survey

- Some applicants may feel the American Community Survey (ACS) does not accurately reflect the demographics of their community.
- Currently, the department does not have a policy or procedure to conduct or review income surveys.

Income Survey

- The department will accept income surveys approved by:
 - USDA-RD; or
 - CDBG.
- The results of the income survey will replace the applicant's ACS reported MHI.

User Rate

- Applicants may propose a user rate based on less than 5,000 gallons/month.
 - Documented by a minimum of 1 year of water use records for all users.
 - If the proposed project expands the service area, the water use records must be included for those users.

Plans & Specifications

- When plans and specifications are received, staff will reevaluate the previous CWSRF ASAA. If any of the following has occurred an updated CWSRF ASAA will need to be drafted:
 - More than 5 years have elapsed;
 - A substantial change in project scope; or
 - A change in the applicant's economic conditions.

Public Notice

- 30 day public notice period.
- July 6, 2015 – August 5, 2015
- Email: DNR.SRFPublicNotice@dnr.mo.gov
- Mailing Address:

Missouri Department of Natural Resources
Financial Assistance Center
Attn: Mrs. Emily Carpenter
P.O. Box 176
Jefferson City, MO 65102-0176

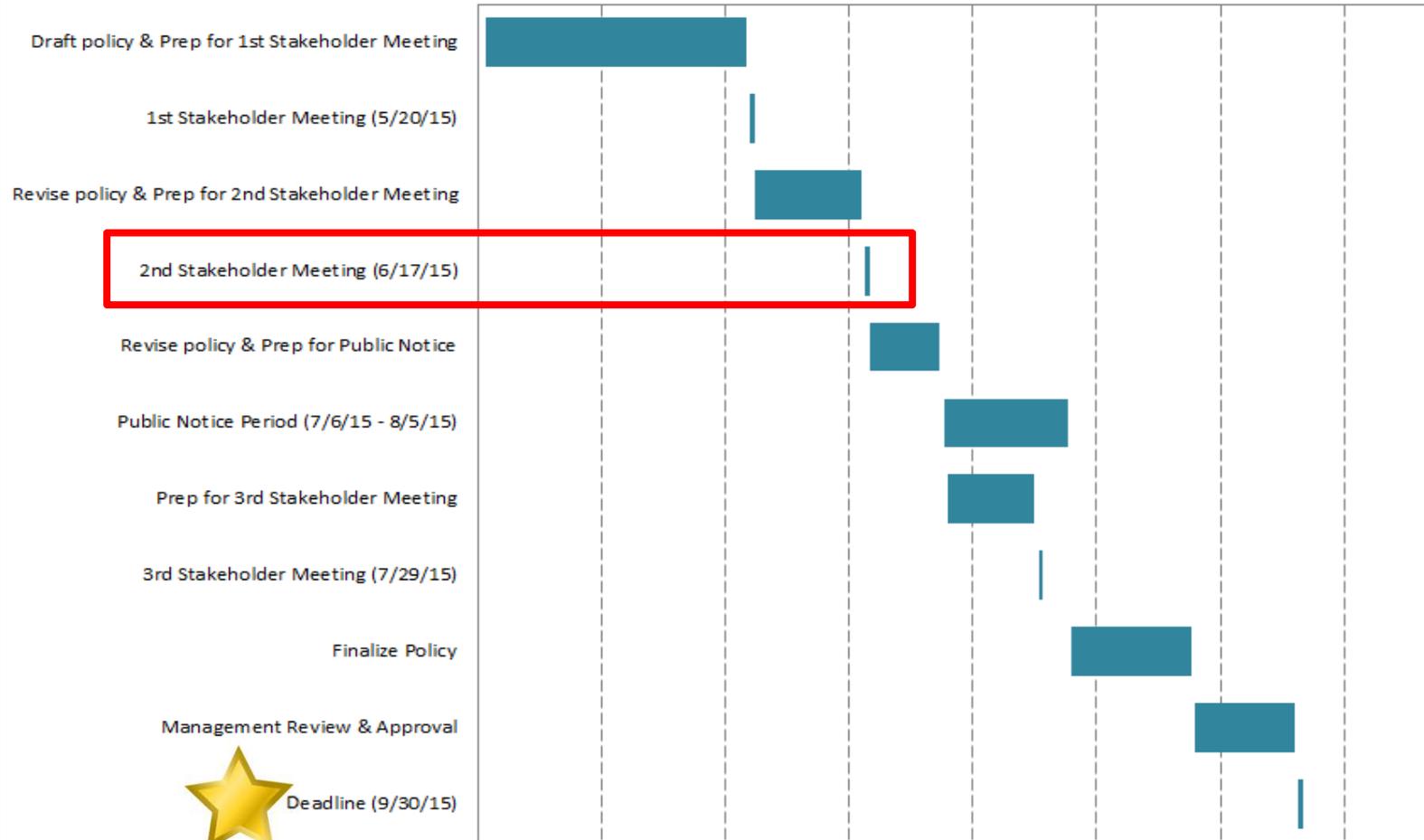
Future Meeting

- July 29, 2015 (9:00 a.m. – noon)
 - Gasconade Camp conference room
 - *During the public notice period.*
 - SRF Regulation Stakeholder meeting is directly after from 1:00 p.m. – 4:00 p.m.



Clean Water SRF Affordability Criteria Timeline

3/15/2015 4/14/2015 5/14/2015 6/13/2015 7/13/2015 8/12/2015 9/11/2015 10/11/2015



Deadline (9/30/15)

Comments on 2nd Draft Policy

- Submit written comments regarding the second draft policy by close of business on **June 23, 2015**. After this date, comments cannot be guaranteed to be incorporated into the policy for public notice.

After September 30, 2015

- The department plans to incorporate the requirement of an affordability analysis into the future regulation amendment.
 - 10 CSR 20-4.040 SRF General Assistance



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Questions?

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Thank you!

dnr.mo.gov/env/wpp/cwforum/srf-affordability.htm