Volume 9, Issue 09 September 2020 Environmental Loans E-Bulletin Newsletter PUB-CF-034 9/2020

# E-Bulletin Newsletter

*To provide affordable financial assistance to communities within Wisconsin for water infrastructure projects that protect and improve public health and water quality for current and future generations.*

Clean Water State Revolving Fund

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## Upcoming Deadlines

**September 15**
Last recommended date to submit rate application to PSC (following SFY 21 SDWLP application submittal).

**September 30**
SFY 21 CWFP application deadline for Principal Forgiveness projects.

**October 30, 2020**
SFY 21 CWFP PF PERF score reevaluation requests deadline (within 30 days of application deadline).

**November 2, 2020**
SFY 22 ITA/PERF deadline.

## Private Lead Service Line (LSL) Replacement Program Update

We held our first virtual workshop for the new Private LSL Replacement program on September 2nd. The webinar had approximately 140 attendees, including a panel of municipalities that participated in the previous LSL replacement program and shared their experiences. The webinar went very well and we thank everyone who participated. Please don't hesitate to send us any additional questions you may have.

A second virtual workshop is scheduled for the afternoon of September 24th. There is still time to register for this second workshop if you haven't already.

- The Private LSL Application and the LSL Priority Evaluation and Ranking Form (PERF) are now available on our forms page.
- **We will start accepting private LSL applications on September 8th.** The LSL Application also serves as the Intent to Apply (ITA) for the project so no previous ITA submittal was required.
- **The LSL PERF form is due no later than November 15, 2020.** If a PERF is submitted after this date, it will be added to the bottom of the priority list.
- The LSL application and the PERF should be submitted by email to DNRLSLfunding@wisconsin.gov.

Applications and PERFs submitted during SFY 2021 will be for awards that will cover the 2021 construction season. We encourage you to submit your application as early as possible so that your LSL replacement program can be developed, and an award made, prior to the start of the 2021 construction season. Awards will be made for *one construction season* at a time in order to more closely manage the available funding.

Questions can also be submitted to the email above.

DNR, Environmental Loans Section—CF/2, 101 S. Webster Street, PO Box 7921, Madison, WI 53707-7921
dnr.wi.gov/aid/eif.html | CWFP phone: 608-267-7475 | SDWLP phone: 608-266-5889 | staff directory webpage

WISCONSIN DEPT. OF NATURAL RESOURCES

*Program implementation details are outlined in chs. NR 162 and NR 166, Wis. Adm. Code. Legal notice: This document is intended solely as guidance and does not contain any mandatory requirements except where requirements found in statute or administrative rule are referenced. Any regulatory decisions made by the Department of Natural Resources in any matter addressed by this guidance will be made by applying the governing statutes and administrative rules to the relevant facts. The Wisconsin Department of Natural Resources provides equal opportunity in its employment, programs, services, and functions under an Affirmative Action Plan. If you have any questions, please write to Equal Opportunity Office, Department of Interior, Washington, D.C. 20240. This publication is available in alternative format upon request, call 608-267-9481 for more information.*

# Interest Rates Fall in Fourth Quarter

Clean Water Fund Program (CWFP) and Safe Drinking Water Loan Program (SDWLP) lend money at interest rates below the market rate.

On October 1, 2020, the market rate for loans up to and equal to 20 years will fall from 3.20% to 3.00% and the market rate for loans exceeding 20 years will fall from 3.40% to 3.20%. Each loan charges interest based on the market rate in effect on the day the municipal governing body adopts the resolution approving the financing agreement.

- Find more information on current interest rates at dnr.wi.gov/aid/documents/EIF/Guide/Interest.html.

## Contact information

For information on this topic, contact:
Environmental Loans Section Chief or
DOA Capital Finance Office staff at
DOAEIF@wisconsin.gov

# Up To 30 Year Loan Terms

The Clean Water Fund Program (CWFP) can now provide loan terms exceeding 20 years and up to 30 years. In order for a project to be eligible for a loan exceeding 20 years, the municipality or consulting engineer must submit a Design Life Calculation Worksheet demonstrating that the cost-weighted-average design life is at least equal to the requested loan term. For details on the methodology, please reference page 4 of the CWFP SFY21 Intended Use Plan.

Projects that consist **solely** of installation or replacement of pipeline and associated appurtenances such as pressure relief valves, cleanouts, and manholes, are exempt for the Design Life Calculation Worksheet requirement and are assumed to have a design life of 30 years or greater.

Select "20+ year" under Loan Term in the Financial Section of the CWFP application and upload the Design Life Calculation Worksheet, if applicable. A DNR Plan Reviewer will review the worksheet after application submittal. To help expedite the review process, please read the instructions on the worksheet, as well the methodology in the Intended Use Plan.

The applicant will receive notification via email from the DNR Plan Reviewer once the review is complete. Based on the above requirements, requesting a loan term exceeding 20 years to simply avoid an increase in user fees may not be an option.

## Market Rate

The market interest rate on loan terms exceeding 20 years is currently 0.20% (20 basis points) greater than the market interest rate on loans for 20 years. This difference will change as actual market interest rates or the market rate yield curve changes.

## SDWLP

The Safe Drinking Water Loan Program (SDWLP) is also approving 20+year loan terms on a case-by-case basis. Contact Greg Farmer, SDWLP Coordinator, if you are interested in pursuing a SDWLP 20+year loan term: GregoryM.Farmer@Wisconsin.gov.

# Davis Bacon Construction Categories

Prior to issuing a request for bids or proposals, the assistance recipient must obtain the wage determination for the locality where the SRF-funded project will take place. To find a wage determination for a project area, assistance recipient should access Wage Determinations at beta.SAM.gov, and input the state and county where the project will occur, as well as the construction type.

There are four construction categories for Davis-Bacon wage rates: building, residential, highway, and heavy. Most State Revolving Fund projects will fall under the "heavy" construction type. Projects with buildings, especially including windows, doors and roofs; that house equipment and will be occupied at times, should fall under the "building" type. A contract can contain more than one construction type.

There is also the 80/20 rule in Davis-Bacon. If over 80% falls into one construction category, the assistance recipient can include the rest into the same category; this may be a benefit or a detriment depending on the project. Please contact your CME with questions.

## Resource

Complying with Davis-Bacon Requirements

# SFY 2021 CWFP PF Applications Due September 30th

State Fiscal Year 2021 Clean Water Fund Program applications must be submitted online by **September 30, 2020**, if competing for principal forgiveness. For assistance with the application, refer to:

- CWFP Application Process & Contents
- CWFP Online Application Help Text

Applications are accepted the entire fiscal year for those projects not seeking principal forgiveness.

## Plans and specifications reminder

Submit approvable, biddable plans and specifications to the DNR Bureau of Water Quality for approval by the September 30th application deadline.

- Follow requirements as explained in the DNR's Plan Submittal Requirements for Sewerage Systems.

An **additional, electronic copy** of approvable, biddable plans and specifications must be uploaded with the application for all portions of the project for which funding is being requested.

## PERF score reevaluation requests

You may request a PERF score reevaluation within 30 days of the application deadline. Some of the reasons that an applicant may request a reevaluation include not all supporting documentation was uploaded with the original submittal, or the incorrect PERF form was originally submitted. Contact Lisa.Bushby@Wisconsin.gov, Clean Water Fund Coordinator, if you would like to pursue a PERF score reevaluation. The deadline to submit a PERF score reevaluation is **October 30, 2020**.

# ITA/PERF for State Fiscal Year 2022

The ITA/PERF online system is ready for ITA entry and submittal. For SFY 2022 funding, you must submit your notice of Intent to Apply with Priority Evaluation and Ranking Formula information through the online system on or before the **November 2, 2020 deadline.** (Since October 31st falls on a Saturday, that deadline, by statute, is extended to Monday.)

## Online system & submittal process

Visit the online system webpage to access and learn about the online system and submittal process.

# Online Submittal Authorization Certificates

October 23rd is the final submittal date for SFY 2022 Online Submittal Authorization Certificates.

A municipality may choose to allow a consultant to submit materials through the online system on behalf of the municipality by completing this form and selecting whether the consultant shall have access to enter, or enter and submit, required materials through the online system. Authorization shall not be granted to a consultant until a complete, signed form is received by the department.

# WAMS ID and Switchboard Requests

October 23, 2020, is the final submittal date for Web Access Management System user ID (WAMS ID) requests and Switchboard access requests. To gain access to the online system, you must create a WAMS ID and then register with the Switchboard.

Get WAMS and Switchboard registration instructions from the online system webpage.

# Changes to SDWLP PERF Scoring Criteria for SFY 2022

The SDWLP Intended Use Plan (IUP) for SFY 2021 included changes to the Priority Evaluation and Ranking Formula (PERF) scoring criteria for SFY 2022 projects. Section NR 166.23(7), Wisc. Adm. Code allows the addition or modification of scoring criteria through the annual IUP. These revisions affect future SDWLP projects starting with those covered by an Intent to Apply submitted by the October 31, 2020 deadline, which corresponds to the June 30, 2021 SDWLP application deadline, and continuing into future years unless modified by rule changes or in a future IUP.

Points will be available in Section IV (System and Consolidated System Capacity Points) of the PERF as follows:

- 10 points will be granted if at least 50% of the members of the water utility's governing body have taken all of the online training modules available at the time of application (see Section VIII of the IUP). Training must be completed and certified online by June 30 of each year in conjunction with a SDWLP application.

- 20 points will be granted for projects including the replacement of lead service lines (LSLs) where the LSLs constitute at least 40% of the service lines being replaced. This also includes galvanized material that is downstream of lead goosenecks or services. Service line material documentation must be submitted with the application in order to be awarded points. Note that a municipality does not need to be in receipt of an ALE to receive these points.

- 20 points will be granted for projects implementing the approved recommendations from a corrosion control study. Eligibility will be determined by the DNR's Drinking Water Program.

- 20 points will be granted for projects where the applicant has submitted a new Asset Management Plan. Minimum criteria for the asset management plans is available on our program website. Plans must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program.

- 15 points will be granted for projects where the applicant has submitted a revised/updated Asset Management Plan. Updated plans must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program. Criteria for updated plans is available on our program website. Criteria and approval will be the same as for new Asset Management Plans (above).

- 10 points will be granted for projects where the applicant has executed a new agreement between two or more water systems to improve technical, managerial, and financial capacity. Required materials must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program. Criteria for awarding public water system partnership points is available on our program website.

The following modification will be made to question SC7 under Section III (Secondary Contaminant Violation and System Compliance) of the PERF:

- 4 points will be awarded under question SC7 if the project includes replacement of lead joints or replacement of LSLs where the LSLs constitute less than 40% of the service lines being replaced.

In addition, we are clarifying that projects that address PFAS or other emerging contaminants currently are eligible projects under the SDWLP. Until an MCL has been established, these projects would receive points under Section I (Risk to Human Health) of the PERF as an anticipated exceedance. For PFAS, a project would receive 20 points as an anticipated exceedance of a Synthetic Organic Chemical (SOC) under question HH2 d. Once an MCL has been established, a PFAS project could receive up to 250 points under question HH1 d. for elimination of an MCL violation of a chronic contaminant (SOC).

We also want to remind you that these changes include the elimination of the Table 3 scoring criteria that were part of the SDWLP's principal forgiveness allocation methodology. If new Table 3 criteria are developed, they will be discussed in the SFY 2022 IUP which will be published in spring of 2021.

# CWFP Launches Pilot Projects Program to Fund Water Quality Trading and Other Projects

The Clean Water Fund Program is launching a Pilot Projects Program (PPP) to fund non-traditional projects. EPA has, for years, encouraged states to be innovative in finding ways to use their state revolving funds to fund non-traditional clean water projects—that is, projects other than typical municipal sewerage system projects, including projects that deal with nonpoint source pollution.

Due to concerns about phosphorus and the very low phosphorus limits that some municipalities have recently received in their Wisconsin Pollutant Discharge Elimination System (WPDES) permits, the Environmental Improvement Fund (EIF) decided to focus on projects to reduce or treat phosphorus, including projects involving water quality trading. Adaptive management and other types of projects may be eligible and will be reviewed on a case-by-case basis. Pilot projects must include construction or a capital cost ("hard practices"). Projects that consist solely of cropping practices ("soft practices") are ineligible. The program may evolve rapidly as we gain experience managing projects.

Pilot projects will receive loans with an **interest rate of 0%** and are not eligible for principal forgiveness. Loan terms may vary up to twenty years.

For State Fiscal Year 2021, submittal of an Intent to Apply (ITA) by the October 31, 2019, deadline is not required in order to be eligible to apply. The application form will serve as the ITA as well as a request to waive the ITA deadline.

Since the program may evolve rapidly, and since we may fund relatively few projects through it, we aren't utilizing our online application system for processing applications. For SFY 2022, applicants will submit the ITA/PERF online, but the application is a fillable PDF, and other documents will also be submitted either on paper or as PDFs.

If your municipality is interested in applying for a loan for a pilot project in SFY 2022, submit an ITA/PERF via the online system by November 2, 2020 (see separate article on ITA/PERF). The loan application form is available at dnr.wi.gov/files/PDF/forms/8700/8700-378.pdf.

For more information, see the CWFP IUP for SFY 2021. We will publish guidance in our Reference Guide soon.

If you have questions about the PPP, contact Dave Calhoon at david.calhoon@wisconsin.gov.

# PSC Applications Due September 15th

**September 15, 2020** is the DNR's last recommended date to submit rate case applications to the Public Service Commission of Wisconsin for State Fiscal Year 2021 Safe Drinking Water Loan Program projects.

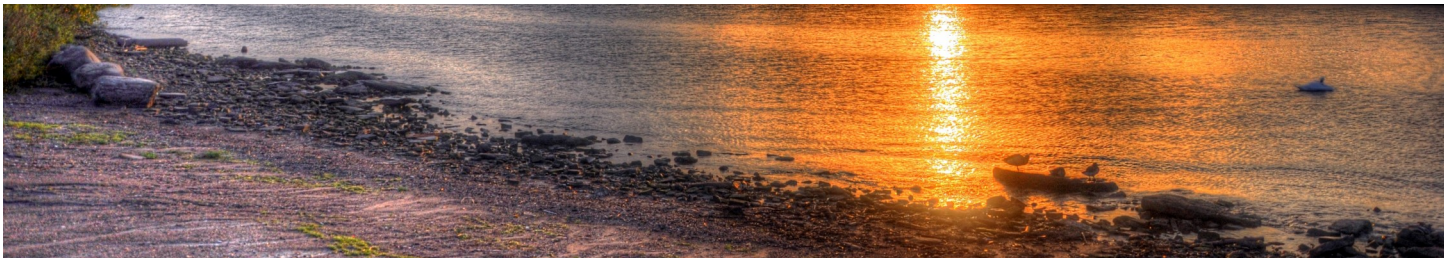
One of the requirements for closing a SDWLP loan is that the municipal utility has water rates in place that are adequate to repay the loan and continue proper operation of its water system.

In order to incorporate costs associated with a major construction project into rates, a utility potentially needs to file a Conventional Rate Case (CRC) with PSC.

Commission staff screen all rate case applications for completeness and do not begin work on incomplete applications. All required documentation must be submitted with the application in order for it to be considered complete.

The PSC's goal is to process a rate case application within 180-210 days after receipt of a complete application.

Required rate increases *must be in effect before* the project's Financial Assistance Agreement (FAA) can be executed, per s. NR 166.11(7) Wis. Adm. Code.

Learn more about coordinating the SDWLP requirements with the PSC rate case process.

Direct questions about the rate increase process to PSC at 608-266-3766 or PSCWaterAppMail@wisconsin.gov.