



United States
Department of
Agriculture

Rural Development



Water & Environmental Program

UNC School of Government Environmental Finance Center - Chapel Hill, NC

2020 Water and Wastewater Finance Strategies Workshop

March 2-3, 2020



WATER ENVIRONMENTAL PROGRAMS

WATER & ENVIRONMENTAL PROGRAMS

Current Portfolio:

Borrowers - 190

Loans outstanding - 354 loans

Total Loan Outstanding - \$640,940,700

Delinquency Rate - 0.00%

ELIGIBLE APPLICANTS

☐ Public Bodies:

- ☐ Counties
- ☐ Towns & Cities
- ☐ Water & Sewer Districts
- ☐ Water & Sewer Authorities
- ☐ Metropolitan Sewerage Districts
- ☐ Sanitary Districts

- ☐ Project must serve rural area - any area not in a city or town with a population in excess of 10,000



ELIGIBLE APPLICANTS

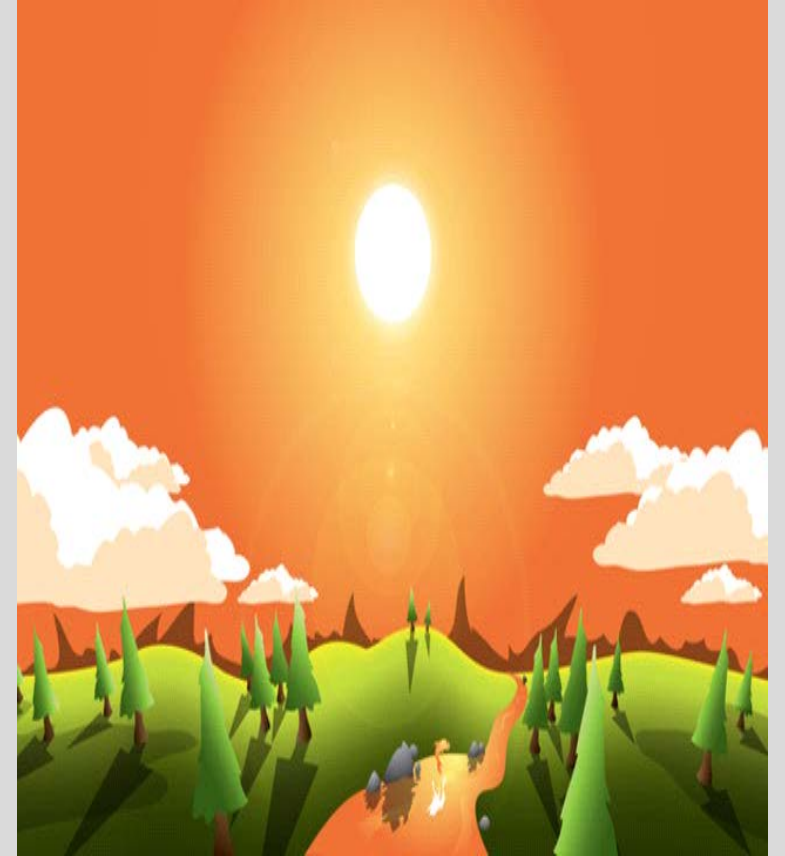
☐ Federally Recognized Indian Tribes:

NC has 1 Federally Recognized Indian Tribe

- Eastern Band of Cherokee Indians

☐ State Recognized Indian Tribes:

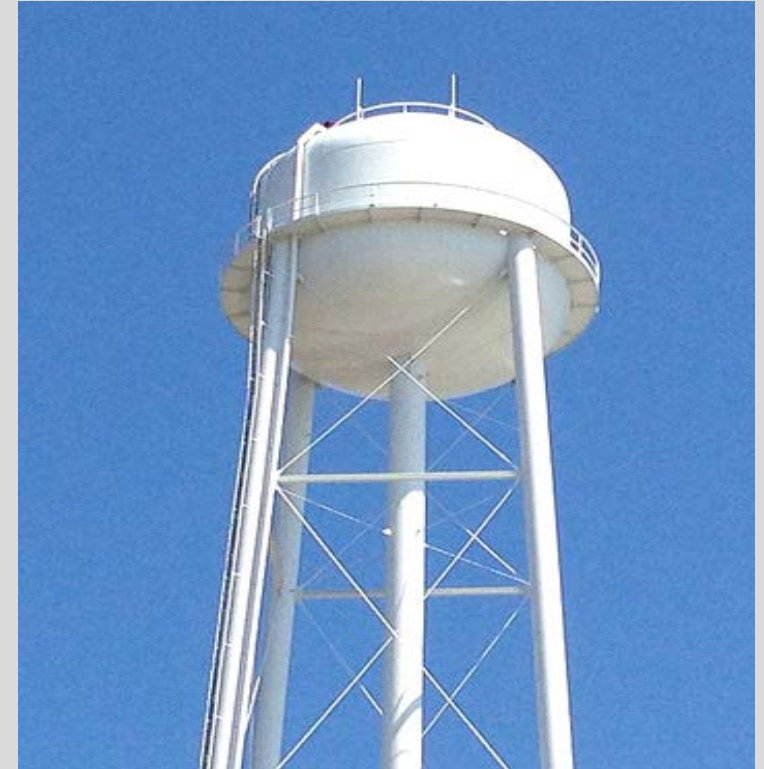
Not eligible to receive WEP financial assistance



ELIGIBLE APPLICANTS

☐ Organizations Operated on a Not-For-Profit Basis:

- ☐ Associations
- ☐ Cooperatives
- ☐ Water and/or Sewer Corporations



ELIGIBLE PROJECTS

- ☐ Drinking Water Facilities
- ☐ Sanitary Sewer Facilities
- ☐ Storm Water Drainage Facilities
- ☐ Solid Waste Disposal Facilities



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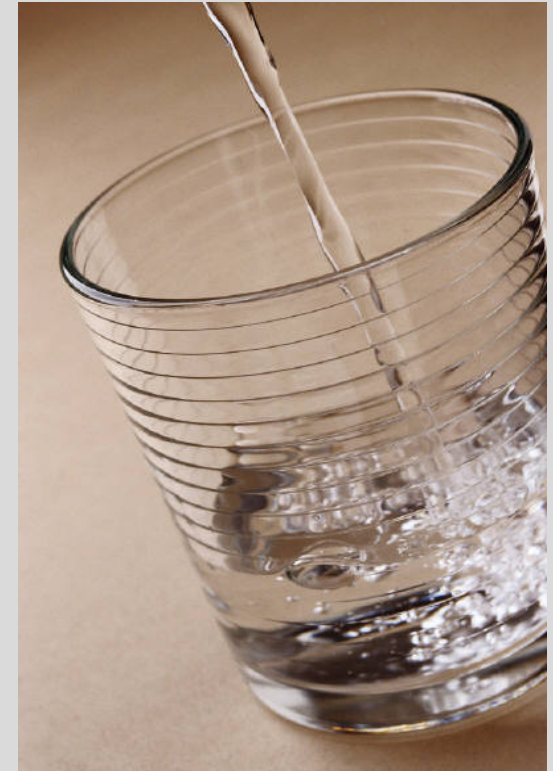
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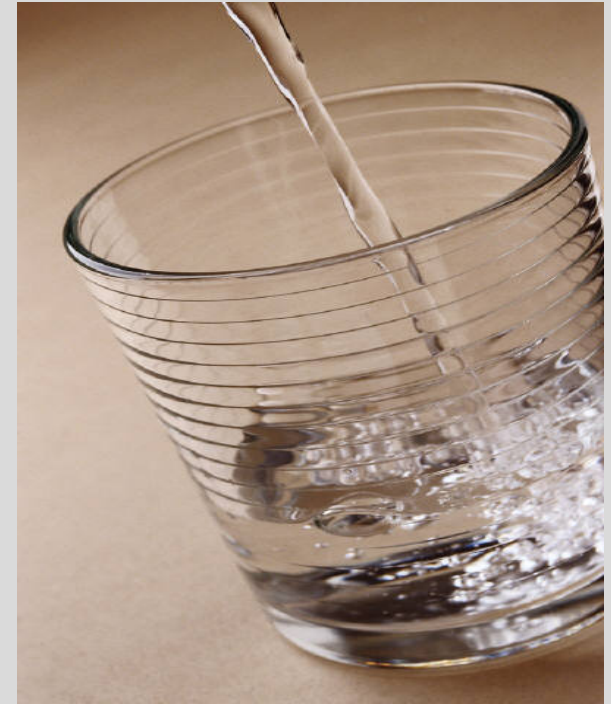
Typical Drinking Water Projects

- ☐ **New Water Systems**
(Distribution and/or Treatment Facilities)
- ☐ **Water Lines Extensions**
- ☐ **Improvements to Existing Distribution and/or Treatment Facilities**
- ☐ **Water Storage or Impoundment Facilities**
(Tanks, Dams, Reservoirs, Levees)



Typical Drinking Water Projects

- ☐ Water Supply Wells
- ☐ Meter Systems
- ☐ SCADA Systems
- ☐ Emergency Generators
- ☐ Purchase of Existing Systems
- ☐ Purchase of Additional Capacity



Typical Sewer Projects

- ☐ **New Sewer Systems
(Collection and/or Treatment Facilities)**
- ☐ **Sewer Line Extensions**
- ☐ **Improvements to Existing Collection and/or
Treatment Facilities**
- ☐ **Purchase Capacity in other Treatment Facilities**
- ☐ **Emergency Generators**
- ☐ **Purchase Existing Systems**



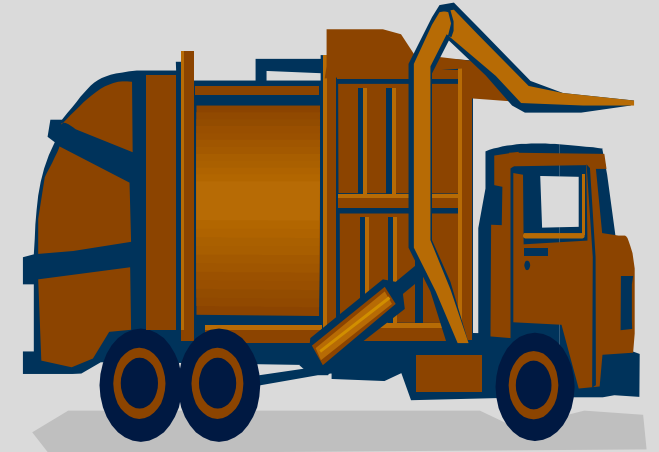
Typical Storm Water Projects

- ❑ Storm Water Drainage Improvements
- ❑ Separate Current Storm and Sanitary Sewer Systems



Typical Solid Waste Projects

- ☐ New Landfills
- ☐ Purchase Trash Trucks
- ☐ Construct Transfer Stations
- ☐ Construct Convenience Centers



Non-Metropolitan Median Household Income (MHI)

- ❑ Statewide MHI - \$45,444
- ❑ MHI below this figure may qualify for grant assistance
- ❑ MHI above this figure would qualify as a loan only

Non-Metropolitan Median Household Income (MHI)

□ Maximum grant:

- 75 percent when the MHI is below the higher of poverty line or 80% of Statewide MHI (\$36,355) and the project is necessary to alleviate a health or sanitary standard
- 45 percent when the MHI exceeds 80 percent of Statewide MHI (\$36,355) but is not more than 100 percent of Statewide MHI (\$45,444)

Interest Rates (subject to change April 1, July 1, Oct. 1, & Dec. 1)

- ❑ **Poverty – 1.625% (1.500% effective April 1st)**
MHI is below the poverty line or 80% (\$36,355) of the State non-metropolitan MHI of \$45,444 and a health and sanitary issue exists
- ❑ **Intermediate – 2.250% (2.000% effective April 1st)**
MHI is between 80-100% (\$36,355-\$45,444) of State non-metropolitan MHI, without any health or sanitary issues
- ❑ **Market – 2.750% (2.500% effective April 1st)**
MHI exceeds 100% (\$45,444) of State non-metropolitan MHI

Terms

Repayment Period:

- ☐ 40 years
- ☐ Principal payment may be deferred up to 3 years
(interest only payments)

Purposes

- ❑ **Construct, enlarge, extend, or otherwise improve rural water, sanitary sewer, solid waste disposal , and storm wastewater disposal facilities**
- ❑ **To construct or relocate public buildings, roads, bridges, fences, or utilities, and to make other public improvements necessary for the successful operation or protection, of the facilities stated above**

Purposes

- ❑ Reasonable fees and costs such as: engineering, legal, environmental, fiscal advisory, and administrative services,
- ❑ Cost of acquiring interest in land such as: water rights, leases, permits, easements, rights-of-way, and other evidence of land or water control or protection necessary for development of the facility
- ❑ Cost for connecting the user to the main service line , if the service area MHI is below \$36,355

Application Processing

- ❑ Applications accepted and processed on a rolling-basis (no application deadlines)
- ❑ No \$\$ limit on the amount of an application

Guaranteed Loan Program

- ☐ Private lenders provide financing for construction or improvement of water/waste projects in rural areas – any area not in a city or town with a population in excess of 50,000
- ☐ USDA provides 90% loan guarantee
- ☐ Quicker access to capital
- ☐ Streamlined application process
- ☐ No technical review of engineering reports
- ☐ Less government oversight
- ☐ Lender of your choice

SEARCH Grant

☐ **SEARCH** -- **S**pecial **E**valuation **A**ssistance for **R**ural **C**ommunities and **H**ouseholds Program

- ☐ Assist financially distressed communities in paying costs associated with preparing feasibility studies, preliminary engineering reports, and environmental reports
- ☐ Limited to \$30,000 or 100% of the predevelopment cost, whichever is less
- ☐ Median Household Income of the proposed project service area must be under \$36,355
- ☐ Project must be in a rural area (2,500 or less population)
- ☐ Applicant basically is unable to pay the proposed predevelopment expenses from their own resources

Predevelopment Planning Grant (PPG)

- ☐ Assist financially distressed communities in paying costs associated with preparing feasibility studies, preliminary engineering reports, and environmental reports, etc.
- ☐ Limited to \$30,000 or 75% of the predevelopment cost, whichever is less
- ☐ Median Household Income of the proposed project service area must be under \$36,355
- ☐ Project must be in a rural area (10,000 or less population)
- ☐ Applicant basically is unable to pay the proposed predevelopment expenses from their own resources

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

☐ Purpose:

To assist the residents in rural areas and small communities obtain or maintain adequate quantities of safe water when a decline in quantity or quality occurs or is imminent

☐ Emergency:

Occurrence of an incident such as, but not limited to: drought, earthquake, flood, tornado, hurricane, disease outbreak, spills or leakage of hazardous substances or chemicals.

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

- ☐ Median Household Income of the proposed project service area must be under \$45,444
- ☐ Project must be carried out in a rural area (10,000 or less population)
- ☐ Proposed project cannot contain costs that are eligible for funding from the Federal Emergency Management Agency (FEMA) or covered by applicant's insurance (Documentation of such must be provided)

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

☐ Significant Decline in Quality:

Occurs when the present community source or delivery system does not meet, as a result on an emergency, the current Safe Drinking Water Act requirements. For a private source or delivery system a significant decline in quality occurs when the water is no longer potable as a result of an a emergency.

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

☐ Significant Decline in Quantity:

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Emergency and Imminent Community Water and Assistance Grant (ECWAG)

- ☐ **Significant Maintenance** - any repair work resulting from an emergency event required to return a portion of a water system to working order to provide an adequate quantity or quality of water, that does not involve new construction
- ☐ **Grant Limit** - \$150,000

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

☐ Significant Maintenance (examples):

- Replace distribution lines
- Replace pumps or motors
- Replace various types of meters
- Replacement of equipment damaged as a result of the emergency event

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

- ❑ **Generally a new water source or a different source**
- ❑ **Grant Limit - \$1,000,000**

Emergency and Imminent Community Water and Assistance Grant (ECWAG)

□ Generally a new water source or a different source (examples):

- **New water supply well(s)- different location**
- **New water treatment plant – different location**
- **Line extensions associated with a new water source**
- **New water tank – if damage impacts source/delivery**

Available Funding

☐ Funds Available – FY 2020

- Loan – \$1,260,000,000 (NC - \$50,617,000)
- Grant - \$ 385,194,500 (NC - \$15,377,000)

Sample Projects Funded Last 3 Years

- ☐ **Halifax County – New Water Treatment Plant (Loan - \$10,438,000 / Grant - \$3,314,000)**
- ☐ **Town of Cofield – Sewer System Improvements (Loan - \$253,000 / Grant - \$169,000)**
- ☐ **Bladen County Water District – Water System Improvements (Loan - \$4,997,000 / Grant - \$1,000,000)**
- ☐ **Tuckasegee W&S Authority – New Wastewater Treatment Plant (Loan - \$4,832,000 / Grant - \$1,745,000)**
- ☐ **Town of Grover – Water System Improvements (Loan - \$70,000 / Grant - \$141,000)**
- ☐ **Town of Godwin – Water System Extension (Loan - \$736,000 / Grant - \$1,674,000)**
- ☐ **City of Bessemer City – System Improvements (Loan - \$4,865,000 / Grant - \$3,165,000)**
- ☐ **Town of Rosman – Water System Improvements (Loan - \$1,046,000 / Grant - \$625,000)**

COMMUNITY FACILITIES PROGRAMS

Direct and Guaranteed

What is a community facility?

RD defines an essential community facility as “a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings.” These include:

- **Health care facilities** such as hospitals, medical clinics, dental clinics, nursing homes, assisted living facilities, or telemedicine systems
- **Public facilities** such as town halls, courthouses, airport hangars, or street improvements
- **Community support services** such as child care centers, community centers, or transitional housing
- **Public safety services** such as fire departments, police stations, correctional facilities, police vehicles, fire trucks, public works vehicles, or equipment
- **Educational services** such as museums, libraries, schools, or distance learning equipment

Who is eligible for Community Facilities?

- ❖ Public Bodies: cities, villages, towns, and counties with no more than 20,000 residents
- ❖ Properly formed Non-profit Corporations, such as charter schools, hospitals, and private colleges & universities
- ❖ Federally Recognized Indian Tribes

What are eligible Projects?

- ❖ Eligible projects are essential community facilities in rural areas.
 - **Rural areas are cities, villages, townships, and towns, including federally recognized Tribal Lands, with no more than 20,000 residents.**
- ❖ Funds can be used to purchase, construct, and/or improve essential community facilities, purchase equipment, and pay related project expenses.
 - Refinancing of existing project debt can not comprise more than 50% of loan.
 - Applicants must be unable to finance the project from their own resources or through commercial credit at reasonable rates and terms.
- ❖ Facilities must serve the rural population (at least 51% rural) where they are/will be located.
- ❖ Projects must demonstrate substantial and documented community support.
- ❖ Applications are accepted year-round.

Loan Rates and Terms

- ❖ Loan repayment terms may not be longer than the useful life of the facility. Terms for capital projects are typically 30 years, but may be extended to the statutory limit of 40 years if needed for purposes of cash flow.
- ❖ The term for equipment is tied to the useful life of the security, but not longer than 20 years.
- ❖ The interest rates are established by Rural Development (currently 2.75%), and is subject to change quarterly.
- ❖ Once the loan is approved (obligated) the interest rate is fixed. If the interest rate decreases between the date of obligation and the date of loan closing, the Borrower receives the lower of the two rates.
- ❖ There are no pre-payment penalties.

Availability of Grant Funds

- ❑ Grant funds are targeted to smaller projects in which the grant assistance represents a more meaningful portion of the project, as well as those areas with lower Median Household Income (MHI), and persistent poverty. Persistent poverty counties include: Northampton, Pitt, Robeson, Tyrell, Washington, Bertie, Bladen, Columbus, Halifax, and Martin Counties.

- ❑ Eligibility for grant funds depend upon the following:
 - ✓ Inability to meet the debt service associated with a loan
 - ✓ MHI must be below 90% of the State Median Household Income (SMHI). The lower the MHI relative to the SMHI, the greater the percentage of grant eligibility.
 - ✓ Availability of grant funds.

Projects Financed in FY 2019

Lenoir County SPCA	Animal Shelter	\$1,756,000 Loan
City of Bessemer City	Stinger Park	\$5,919,000 Loan
Columbus County	Whiteville High School	\$14,609,000 Loan
Foundation for Educ.	Charter School	\$30.6 million Dir. Ln/\$8.4 Guar. Loan
Town of Pine Level	Garbage Truck	\$200,000 Loan, \$30,000 Grant
Town of Sharpsburg	Vehicles	\$18,000 Loan, \$53,000 Grant
Town of Pembroke	Fire Truck	\$364,000 Loan, \$50,000 Grant

Available Funds

❖ NC Obligation the Past Four Years:

- FY 2019: Financed 40 projects totaling over \$98,317,125
- FY 2018: Financed 39 projects totaling over \$124,800,000
- FY 2017: Financed 47 projects totaling over \$134,300,000
- FY 2016: Financed 57 projects totaling over \$159,500,000

❖ Types of Funds Available:

- Low interest direct loans (\$2.8 Billion Nationally)
- Grants (Modest Funds available - North Carolina normally receives an allocation of approximately \$1,200,000 annually). FY 2020 also have available approximately \$10 million in CF Disaster Grant funds for 54 counties impacted by Hurricane Florence and Tropical Storm Michael.
- Loan Guarantees
- Combination of Loan and Grant or Direct Loan and Guaranteed Loan

Community Facilities Loan Guarantees

- ❖ Lender applies to USDA Rural Development for the benefit of Loan Note Guarantee
- ❖ Projects eligible for guaranteed assistance in communities up to 50,000 population
- ❖ Maximum guaranteed amount is 90% of the eligible loss.
- ❖ One-time guarantee fee of 1.5% of the principal loan amount guaranteed and .5% annual servicing fee.
- ❖ Repayment term: useful life of the facility, state statute, or 40 years, whichever is less and is negotiated between the lender and borrower, subject to USDA approval.
- ❖ Interest rates may be fixed or variable. Variable rates must be tied to a specific index readily identifiable in the Wall Street Journal.
- ❖ Balloon payments and renewable notes are prohibited. Periodic rate adjustments are acceptable.
- ❖ Upon approval, USDA Rural Development issues a Conditional Commitment for Guarantee
- ❖ Upon completion of the project, USDA Rural Development issues a Loan Note Guarantee to the Lender which is attached to the Promissory Note.

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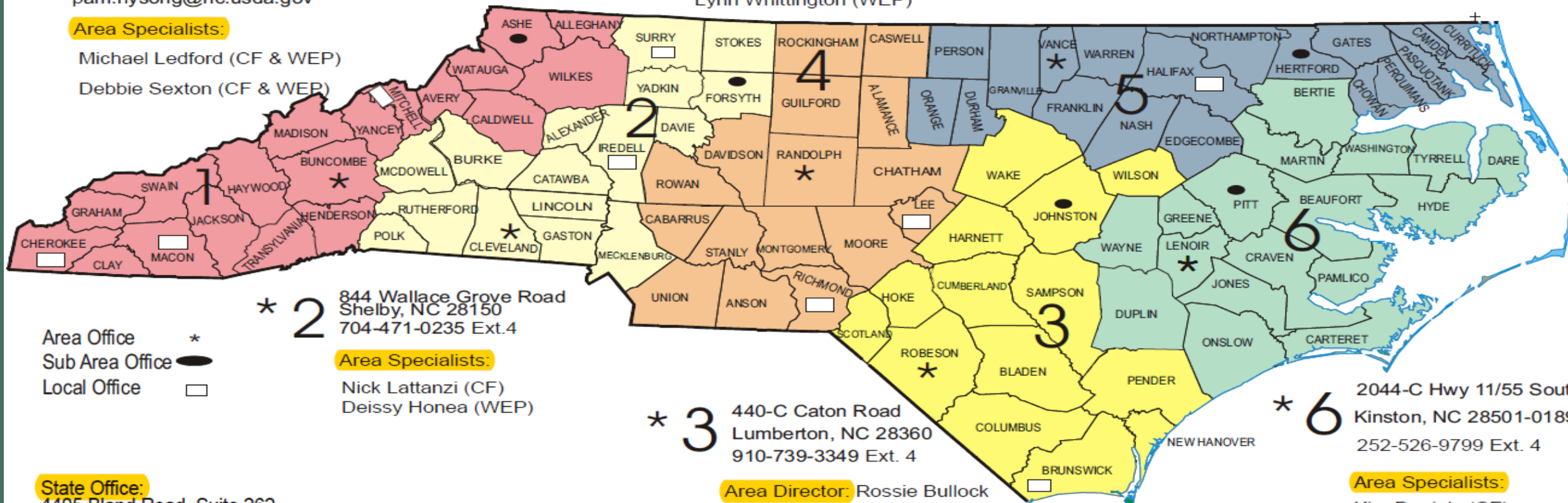
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Area Office *

Sub Area Office ●

Local Office □



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mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
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