Water and Wastewater Infrastructure Funding in Iowa

Overview of Construction Permitting and Funding Programs
Introduction of Speakers

Iowa Economic Development Authority
• Leslie Leager, Division Coordinator
• Nichole Warren, CDBG Team Leader

Iowa Department of Natural Resources
• Jim Oppelt, Wastewater Engineering Team Leader
• Jennifer Bunton, Water Supply Engineering Team Leader

USDA- Rural Development
• Karla Peiffer, Community Programs Director
Water Infrastructure Needs - $6B

US EPA Drinking Water Needs Survey 2011; 20 year documented needs
Wastewater Needs - $3B

US EPA Clean Watersheds Needs Survey 2008; 20 year documented needs (not including nonpoint source)
Goals of This Presentation

• Explain permitting process requirements and milestones
• Call out key points for funding applications and approvals
• Help all parties involved understand interactions between permitting and funding agency processes
Key Messages from Presentation

• Pay attention to the construction permitting processes and be aware of the milestones that affect the funding cycles

• Know what the next step is to keep the project moving

• Know who is responsible for each step in the process
Key Messages from Presentation

• Be sure to coordinate between the applicant, consultant, grant administrator, funding agency, and any other project participants throughout the permitting and funding processes

• Public entities – be sure to contact bond counsel early in the process

• Understand the funding priorities of each agency and how they affect your project and other sources of financing
Key Messages from Presentation

• Timing is critical! Please allow adequate time for project planning and review. Start early!
This is a long presentation 😊

To break it up:
- Multiple speakers
- Quiz questions (answer to win a prize)
- Feel free to take a quick break as needed

“Mr. Osborne! May I be excused? My brain is full!”
Water/Wastewater Funders

• The Big Three
  ▫ State Revolving Fund
  ▫ USDA Rural Development
  ▫ Community Development Block Grant

• All federal sources
• Each has a slightly different mission
• Sometimes projects need multiple sources
State Revolving Fund

• Funding comes from the U.S. Environmental Protection Agency
• Financing for water, wastewater, storm water quality infrastructure
• Jointly operated by DNR and IFA
• Priorities:
  ▫ Environmental protection
  ▫ Public health
State Revolving Fund

- Cities, counties, sanitary districts
- Community and certain other nonprofit water supplies
- 0% planning and design loans
- Below-market interest rate loans – current rate 1.75%
- Extended financing up to 30 years for some projects
State Revolving Fund

- Currently fund all eligible projects
- No dollar amount limits
- Approximately $200 million per year
- Applications accepted year round with four quarterly deadlines
- Can co-fund with other grant or financing sources
State Revolving Fund - Process

Planning and Design Loan
Submit by quarterly deadline
60 days for approval

Intended Use Plan Application
Submit by quarterly deadline at time of facility plan or PER submission
90 days for approval

Environmental Review
Complete concurrently with construction permitting process
Averages 45 – 180 days for completion

Loan Application
Submitted after project has gone to bid and final costs are determined
Averages 4 weeks
USDA Rural Development

- Funding comes from the U.S. Department of Agriculture

- Priorities:
  - Finance water and wastewater projects serving the most financially needy communities
  - Correct health or sanitary issues
  - Leverage funds from other sources
  - Sustainability
USDA Rural Development

• Public bodies, non-profit organizations and Federally recognized Indian Tribes are eligible
• Must have legal capacity to borrow and repay loans, to operate and maintain facilities
• Facilities must benefit rural areas or incorporated communities of up to 10,000
USDA Rural Development

- Direct loans, grants and guaranteed loans
- Fixed interest rate based on service area median household income (MHI)
- No application or servicing fees
- Grant amount based on MHI & need
- Loan terms up to 40 years
- Applications accepted year round
Community Development Block Grant

- Funding awarded from HUD and administered by the Iowa Economic Development Authority (IEDA)
- Priorities:
  - Major water/sewer capital projects that meet a community development need
  - Project readiness
  - Require grant funds to keep user rates at a reasonable level for LMI population
Community Development Block Grant

- LMI is defined by HUD and figures are updated annually. 80% of the median income is considered LMI
- Based on household size
- Varies from county to county
- Most current information can be found at IEDA website at [www.iowaeconomicdevelopment.com](http://www.iowaeconomicdevelopment.com) (under Community Development tab)
Community Development Block Grant

- Cities with less than 50,000 residents, counties, non-profits
- 51% of the population must be low and moderate income (LMI)
- Engineering, land acquisition, and construction are eligible
Community Development Block Grant

- Grant amount available based on population
- Currently one application cycle per year with applications due in November. IEDA will be moving to a quarterly application cycle in 2016.
- Approximately $7 million per year
- Applicant must list source of local funding, e.g. SRF or USDA
Describe the priorities for:

- SRF
- USDA-RD
- CDBG
All Projects Need Construction Permits

- DNR is the only permitting authority, although other agencies may also review.
- No matter what the funding source is, water and wastewater projects must obtain DNR construction permits prior to construction.
- The permitting procedures are spelled out in process manuals on the DNR website.
Permitting Process Phases

**Plan**
- Project planning
- Facility plan or PER

**Design**
- Plans and specs
- Construction permit

**Build**
- Bidding and construction
- Project completion
Project Planning
Facility Plan or PER

- Wastewater
- Water
- Different processes – much more pre-planning with wastewater
- Pay attention to required timeframes
Project Planning
Facility Plan or PER

• Wastewater
Project Planning
Facility Plan

Pre-Planning
- Varies depending on complexity – plan ahead!

Anti-Deg Analysis
- Time for preparation and review + publication and 30 day public comment period

Facility Plan Preparation
- Varies depending on applicant – must be complete before submitting (9b)!

Facility Plan Approval
- DNR goal is 4.5 months for final review and approval

Varies depending on complexity – plan ahead!
Wastewater Planning

- Glossary
  - Engineer = Consulting Engineer Hired by Owner
  - PM = DNR Project Manager
  - MOR = Monthly Operating Report
  - DMR = Daily Monitoring Report
  - WLA = Wasteload Allocation
  - AAA = Antidegradation Alternatives Analysis
  - WR = Water Resources
  - ER = Environmental Review
  - ERS = Environmental Review Specialist
Wastewater Planning

• Pre-Planning
  ▫ Begins with Owner
    • Realize A Need
    • Hire an Engineer to help
    • Conduct Self-Assessment (DNR Matrix on website)
  ▫ Contact DNR
    • Use Work Record Request Form
    • Email your request to wastewater-engineering@dnr.iowa.gov
    • Toll Free Assistance 1-855-CLN-WATR
    • DNR Assigns PM
      • Sets Project Initiation Meeting
  ▫ Schedule is Important
    • Many milestones **BEFORE** Facility Plan is submitted
Wastewater Planning

- Data Collection
  - MOR – Monthly Data from DNR
  - DMR – Daily Data from Owner
  - Analysis – Conducted by consulting engineer
  - Preparation of Design Flows and Loads (Design Criteria)
Wastewater Planning

- Project Initiation Meeting
  - Participants
    - Owner
    - Engineer
    - DNR PM
    - NPDES
    - Water Resources (WLA)
    - Field Office
    - SRF
    - Other Funding Agencies as Needed
    - Other Interested Parties
Wastewater Planning

• Project Initiation Meeting
  ▫ Project scope and schedules, facility plan requirements
  ▫ Financing options
    • State Revolving Fund
      • Planning and design loans
      • Application timing
      • Environmental review services
      • Construction financing terms
Wastewater Planning

- **Financing - USDA Rural Development**
  - Contact the Area Office for an application processing conference
  - Loan/Grant permanent financing
  - USDA SEARCH or PPG grant (most needy communities) or SRF Planning & Design (P&D) Loan for planning assistance
  - Follow RUS Bulletin 1780-2 & Iowa Supplement to prepare PER
  - Start the Environmental Report (ER)
Wastewater Planning

- Flows and Loads
  - Flows and Loads are the basis of plant sizing.
    - Based on Past Use and Future Projection.
    - Flow = Amount (MGD)
    - Load = Organic (BOD, TSS, TKN)
  - Engineer Submits Projection to Project Manager (include all assumptions, conclusions, etc.)
  - Project Manager Reviews
  - Engineer requests Waste Load Allocation
Wastewater Planning

- Concurrence on Flows and Loads
  - Engineer Submits WLA to Water Resources along with Project Manager Concurrence
  - WR Calculates WL based on proposed ADW & AWW flows
  - WR also determines if **AAA** is required
    - Anti-degradation refers to federal regs designed to maintain and protect high quality waters and existing water quality in other waters from unnecessary pollution
    - Alternatives Analysis is an evaluation of reasonable alternatives for regulated activities that might degrade water quality
    - Based on whether flows and/or loads are increased from previous permitted levels and new pollutants of concern will be discharged
Wastewater Planning

• AAA
  ▫ If required – must be submitted and approved
    BEFORE submitting the Facility Plan
  ▫ Exhibit 9A is used to illustrate completeness
Wastewater Planning

• AAA Public Notice
  ▫ Prepare draft anti-deg analysis
  ▫ 30 day public and interagency comment period
  ▫ Engineer sends to interested parties AND responds to any comments
  ▫ Engineer finalizes AAA, includes public notice and responsiveness summary
  ▫ Engineer submits finalized AAA to DNR PM
**Wastewater Planning**

- Quick Review......what has taken place so far?
  - Owner has hired an engineer and DNR has been contacted
  - Data has been collected and analyzed
  - Project Initiation Meeting has been held with owner, engineer, and DNR
  - We have agreed on flows and loads and have received Waste Load Allocation
  - AAA is complete
Wastewater Planning

- Preliminary Engineering Report (PER) - USDA
  - Complete Report (per Bulletin 1780-2 & Supplement)
  - Project modest in size, design & cost
  - Sound engineering
  - ER submitted at same time
  - Incorporates ER mitigation
  - Federal, State & local requirements
Wastewater Planning

- Environmental Report (ER) – USDA
  - RD reviews
  - Environmental Assessment Notice (30 days)
  - Comments?
  - FONSI Notice (15 days)
  - Mitigation measures/conditions of funding
  - Avoid action prior to Agency review
  - Additional factors may extend timeline
  - Allow adequate time – 90 to 120 days
Wastewater Planning

• Facility Plan Preparation
  ▫ Length of time depends on complexity of the project and the Engineer’s and Owner’s schedule
  ▫ If the facility plan will call for structures impacting a flood plain, start the flood plain permit application early
  ▫ Engineer submits completed Facility Plan to Owner for their approval
Wastewater Planning

- Facility Plan Preparation continued....
  - Engineer submits 3 copies with schedules A, F, and G (where applicable)
    - Intended Use Plan application (Exhibit 8)
    - ER Checklist (Exhibit 5)
    - ER will commence concurrently with Facility Plan review
  - Preliminary review is conducted using Exhibit 9B
  - Engineer submits Site Survey information to DNR Field Office, copies PM
  - PM Initiates Site Survey Work Request
Wastewater Planning

• Site Approval (May or may not be needed depending on type of project)
  ▫ Survey for separation distances
  ▫ Geo-tech review
Wastewater Planning

• Pre-Review
  ▫ Completeness review based on Exhibit 9b
  ▫ May require revisiting previous planning phases
  ▫ May require facility plan revisions
  *Provide any revisions to USDA
If required, what must be done BEFORE the facility plan is finalized?
Example #1 – WW Treatment Disinfection Project

Pre-Planning  
Ante-Deg Analysis  
Facility Plan Preparation  
Facility Plan Approval  

N/A

Project Manager Assigned 2/28/2011  
Facility Plan Submitted 6/28/2013  

591 Business Days

Facility Plan Approved 8/5/2013  

25 Business Days

1.7 Years
Example #2 – Collection System Upgrade

- Pre-Planning
- Anti-Deg Analysis
- Facility Plan Preparation
- Facility Plan Approval

N/A

Project Manager Assigned 8/27/2013
Facility Plan Submitted 10/15/2013
24 Business Days

Facility Plan Approved 11/1/2013
13 Business Days

1.2 Months
Example #3 – Major New WW Treatment Plant

1,796 Business Days

44 Business Days

447 Business Days

6 Years
Wastewater Planning

- Facility Plan Review – SRF
  - Complete facility plan and all materials submitted
  - DNR project number assigned
  - Eligible to apply for SRF and begin ER
  - Submit IUP application and Environmental Review Checklist
  - ER will begin during facility plan review
  - Communication between ER Specialist, consultant, and DNR PM critical
Wastewater Planning

• Facility Plan Review - USDA
  ▫ Submit complete application (15 day/45 day notification)
    • PER/USDA review & concur
    • ER/USDA review/Applicant publishes notices
    • Misc. application materials
  ▫ Underwriting by USDA
  ▫ Environmental notices complete
  ▫ Letter of Conditions issued
  ▫ Approve & obligate funds
Wastewater Planning

• Facility Plan Review - CDBG
  ▫ For this year, competitive CDBG applications will have an approved facility plan. An approved plan will be required at time of application by 2017.
Wastewater Planning

• Is there a faster way to get Facility Plan Approval?
  ▫ Yes – for high priority projects -- 60 days
  ▫ See Facility Plan Fast–Track Review on website
  ▫ Assumes the following is complete:
    • Flows and Loads Approved
    • WLA complete and AAA complete or not required
    • Full access to site has been obtained, site survey is complete, and site has been approved
    • Geotech report complete if required
    • No variance needed and no new technology proposed
What funding sources are available to cover planning and design costs?
Plan

Project Planning
Preliminary Engineering Report

• Water
Water Planning

- Consult with the Water Supply Engineering section if there are questions about project planning or eligibility
- Prepare the Preliminary Engineering Report, following the DNR’s PER Checklist
- Can apply for an SRF Planning and Design loan regardless of construction financing
Water Planning - SRF

- Submit a complete and approvable PER to DNR
- Submit the Intended Use Plan (IUP) application by the quarterly deadline (and ER checklist if ready)
- Prepare and submit the Viability Self-Assessment
- DNR will assign a Project Manager and review the application and PER for eligibility
- Note: If the water system has a wastewater discharge and requires anti-deg analysis, this must be completed **BEFORE** the PER is submitted
- Also, if site survey needed, do it at this planning stage
Water Planning - USDA

- Contact the Area Office for an application processing conference
- Loan/Grant permanent financing
- USDA SEARCH or PPG grant (most needy communities) or SRF Planning & Design (P&D) Loan for planning assistance
- Follow RUS Bulletin 1780-2 & Iowa Supplement to prepare PER
- Start the Environmental Report (ER)
Water Planning - USDA

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Water Planning - USDA

• Submit complete application (15 day/45 day notification)
  ▫ PER/USDA review & concur
  ▫ ER/USDA review/applicant publishes notices
  ▫ Misc. application materials
• Underwriting by USDA
• Environmental notices complete
• Letter of Conditions issued
• Approve & obligate funds
Water Planning - CDBG

- For this year, competitive CDBG applications will include an approved PER, if a PER is required for the project. An approved plan will be required at time of application by 2017.
True or False: The USDA application process for a water system and wastewater system is the same.

Bonus question: What are the three components of a complete USDA application?
SRF ER Average Timelines - W/WW (in calendar days) - no snags

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SRF -- *ER Snags Include

- Applicant didn’t submit full documentation
- Changes in scope after ER has begun
- Applicant didn’t notify ER about changes in routes or locations
- Delays in getting flood plain permits
- Programmatic agreements or mitigation required
- Delay in applicant holding public hearing or publishing public notice
- Other
- **More than a snag: Applicant started construction before ER was complete**
Plans and Specs
Construction Permit

• Water and Wastewater
Plans and Specifications

• Develop preliminary plans and specifications and submit for review to DNR Project Manager
• Review by DNR may be required at 60% completion
Plans and Specifications - SRF

- Continue coordination with environmental review specialist
- Include SRF front-ends (check with project manager for correct version due to new American Iron and Steel requirements)
- Request a wage determination from the Iowa Finance Authority (or if CDBG involved, get it from IEDA)
Plans and Specifications - USDA

• Process begins **after** funds approved & obligated
• Follow Letter of Conditions
  ▫ Submit plans & specs for USDA concurrence
  ▫ Follow Free & Open Competition requirements
  ▫ Update project cost – are additional funds needed?
  ▫ Submit evidence that all applicable permits have been obtained
Construction Permit Application

- Submit construction permit application packet and fees to DNR
- 3 sets of plans and specs signed and certified by Professional Engineer
- Design Schedules
- Permit fee along with permit fee form
What will be required for a CDBG application by the year 2016?
Bidding and Construction Project Completion

• Water and Wastewater
Pre-Bidding - USDA

- USDA – Section III of Letter of Conditions
- Engineering Services
- Contract Docs, Plans & Specs
- Legal Services
- Property Rights
- System Procedures
- Loan Closing Instructions
- Interim Financing
- Construction Account
- System Users
- Other Funding Commitments
- Operating Budget
- VA/ERP
Bidding - SRF

- Follow state law in issuing and taking bids
- Submit bid document packet for eligibility determination and concurrence of bid award
  - Use checklists to assemble packet
  - Submit any addenda for approval by project manager
  - Pay attention to Disadvantaged Business Enterprise good faith efforts requirement
- Make sure correct wage determination was used
- DNR issues award concurrence letter stating amount of project eligible
Bidding - USDA

- Obtain USDA authorization to bid
- Follow State Law and/or legal counsel in issuing & taking bids
- Receive bids
- Submit bid tabulation & recommendation to USDA
- USDA reviews total cost to total funds available
- USDA concurs in award of contract
- Notice of Award to contractor
Bidding - CDBG

• Procurement & Davis Bacon/ labor standards apply to CDBG assisted projects.

• CDBG recipients must comply with procurement requirements of 24 CFR Part 85.36
  ▫ Deals with methods for procurement; (RFQ for A/E, RFP for Admin, Sealed Bids for construction)

• Davis Bacon applies to all construction work funded in whole or in part by CDBG.
  ▫ Prevailing wages to be paid to project contractors/subcontractors.

• If project funded with CDBG and SRF, IEDA takes the lead on Davis Bacon compliance
Notice to Proceed - USDA

- Conditions required prior to Notice to Proceed
  - RD concurs in contract documents
  - RD concurs in resident inspector
  - Preconstruction conference
  - Final Rights-of-Way
Notice to Proceed - CDBG

• Completion of an Environmental Review and a release of funds letter from IEDA is required prior to:
  ▫ Purchasing property (note: options are allowed before release of funds)
  ▫ Bidding for construction/signing construction contracts
• The Environmental Review process can take between 60 to 90 days with federally mandated public comment periods
• Once the Environmental Review is complete, the Authority will release funds via an official release of funds letter
Project Construction

• During construction:
• All change orders must be approved by DNR project manager
• USDA
  ▫ USDA approves all change orders
  ▫ USDA field staff monitors construction for Agency oversight
Project Construction

• Funding disbursements:
  • SRF: Incur costs, weekly disbursements
  • USDA
    ▫ Concurs in all pay requests – monthly
    ▫ Applicant contribution, other funds, interim loan financing, USDA grant (in that order)
  • CDBG: Draws must be submitted at least every 6 months. Submitted through Iowagrants.gov. Released on reimbursement.
Project Completion

• **SRF:** Final inspection, final documentation

• **USDA**
  ▫ Pre-final Inspection
  ▫ Statement of Substantial Completion
  ▫ Final Inspection
  ▫ Owner’s Acceptance of Work
  ▫ USDA Loan Closing – permanent financing

• **CDBG:** Project monitoring & close out
QUIZ

Which agencies must approve change orders during construction?
• Co-Funding
Co-Funding

• Even though each funding source has its own mission, they overlap in many cases
• Disadvantaged communities eligible for CDBG and USDA may need both sources of funding to make project affordable
• SRF can provide source for local share
Co-Funding CDBG and USDA

- IEDA works with USDA during our application review process to discuss joint projects

- For this year, competitive CDBG applications will have a facility plan approval letter from USDA at time of application. This letter will be required by 2017.

- Joint projects take time! Please allow adequate time for project planning.
Co-Funding CDBG and SRF

- IEDA works with SRF/ DNR staff during our application review process to discuss joint projects.

- For CDBG, projects need to be on the approved IUP at time of application. (Not just submitted to be included on upcoming IUP.) For this year, competitive applications will have an approved facility plan. An approved facility plan will be required for CDBG projects at time of application by 2017.

- Joint projects take time! Please allow adequate time for project planning.
• Key Messages
It may seem like it takes a miracle to get a project financed and constructed, but it can be done!
Key Messages from Presentation

- Pay attention to the construction permitting processes and be aware of the milestones that affect the funding cycles

- Know what the next step is to keep the project moving

- Know who is responsible for each step in the process
Key Messages from Presentation

• Be sure to coordinate between the applicant, consultant, grant administrator, funding agency, and any other project participants throughout the permitting and funding processes

• Public entities – be sure to contact your bond counsel early in the process

• Understand the funding priorities of each agency and how they affect your project and other sources of financing
Key Messages from Presentation

• Timing is critical! Please allow adequate time for project planning and review. Start early!
“Excuse me, is this the Society for Asking Stupid Questions?”