



# Overview of the Drinking Water State Revolving Fund Program

2<sup>nd</sup> Annual Joint Government Water  
Conference ~ Kauai

August 5, 2014

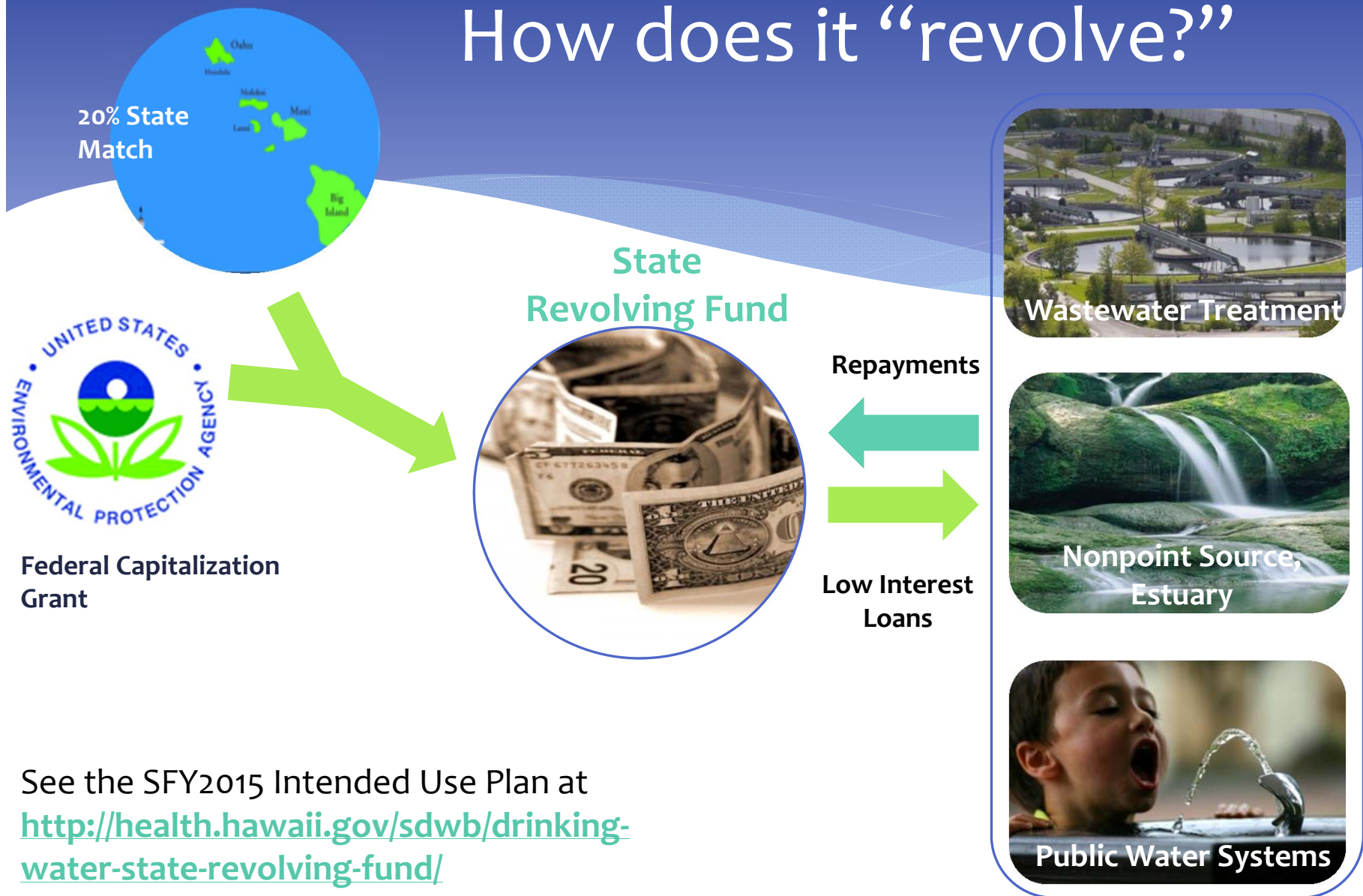
Concurrent Session B ~ 1:00 pm

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# What is the DWSRF?

- \* Drinking Water State Revolving Fund in Hawaii
  - \* Over 60 projects
  - \* Over \$184 million in total assistance since 1996 (including projects funded by American Recovery and Reinvestment Act {ARRA})
- \* Provides low-cost financing for drinking water infrastructure projects
  - \* Loans required to be below market rate
  - \* Principal forgiveness lowers cost further
  - \* 20 year loan term; 30 year terms available to disadvantaged systems

# How does it “revolve?”

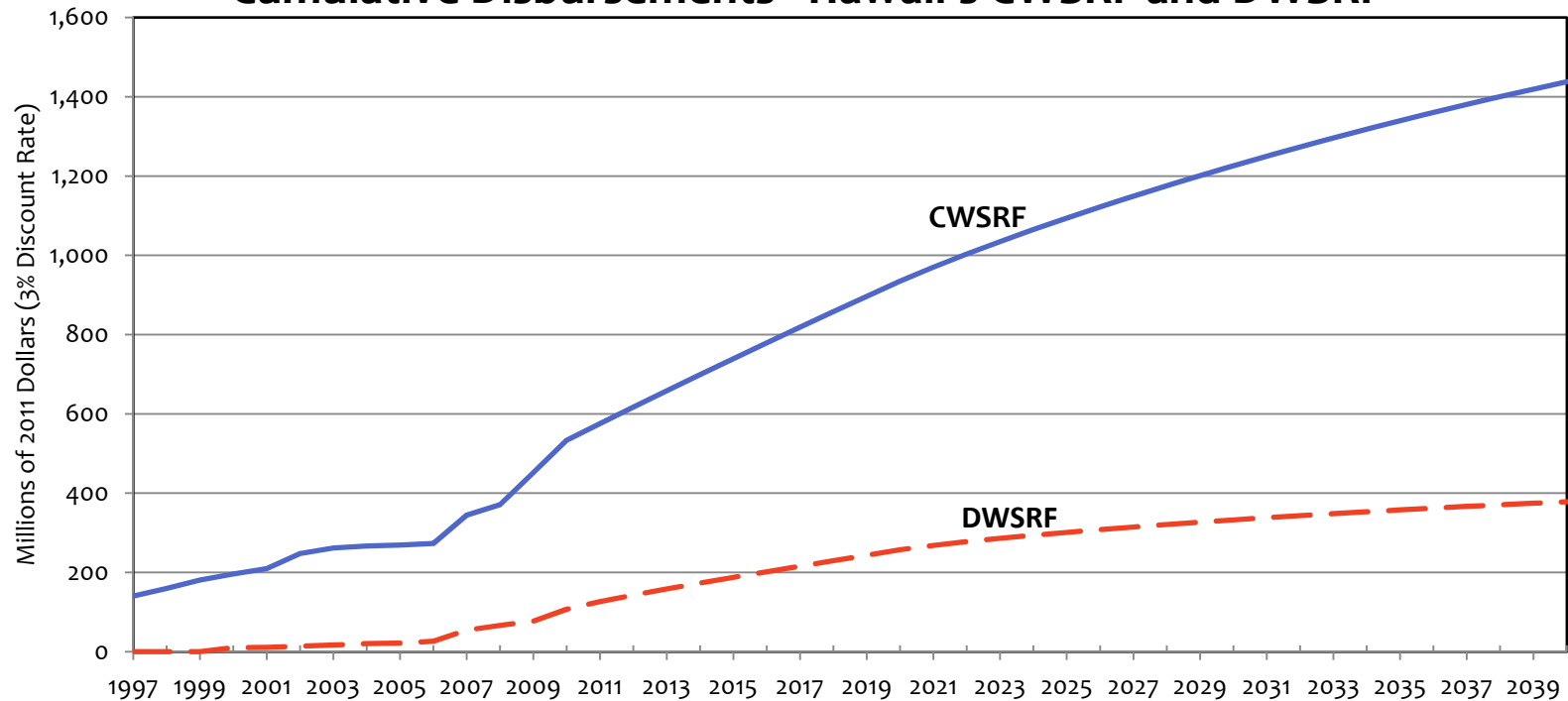


# Hawaii's DWSRF Project Loans from 1996-2014

County of Kauai	\$38,040,657
County of Maui	\$45,691,855
County of Hawaii	\$21,321,202
City and County of Honolulu	\$59,638,125
<b>State of Hawaii Total</b>	<b>\$164,691,839</b>

# Hawaii's SRF Programs Are Long-Term Funding Sources

**Cumulative Disbursements - Hawaii's CWSRF and DWSRF**



# How Can the SRF Benefit the County?

1. Cost savings mean counties can construct more now and also acts as a stimulus to your local economy
2. Wide range of eligible projects
3. Significant flexibility
4. Revolving nature means available funds are always increasing
5. State management means hands-on assistance to help you get to construction

# How is SRF Flexible?

- ✓ Tiered loan rate structure
- ✓ Planning and design loans (P&D)
- ✓ Construction Management (CM) financing
- ✓ Phase projects into one loan
- ✓ P&D, CM, and phased projects can be rolled into the same loan, which can further reduce your overall loan rate
- ✓ SRF can work with your other funding sources, such as USDA, STAG, municipal bonds, etc.

# DWSRF Project Eligibility

## Examples of eligible projects

- ✓ Water treatment facilities
- ✓ Transmission and distribution of water
- ✓ Storage capacity development
- ✓ New drinking water sources
- ✓ Green Projects
- ✓ Energy audits and asset management studies
- ✓ And more... ask us!



# DWSRF Project Rating Criteria

(see IUP for details)

- ✓ **Projects to correct acute health problems**
  - ❖ Waterborne disease outbreak
  - ❖ Surface Water Treatment Rule compliance; Total Coliform Rule compliance; Fecal coliforms; Total coliforms
  - ❖ Nitrate or Nitrite
  - ❖ Indication of possible surface water influence to a ground water source through Giardia, Cryptosporidium, microscopic particulate analyses, etc
- ✓ **Projects to correct chronic health problems**
  - ✓ Lead & Copper Rule (90th percentile values); Lead Action Level (0.015 mg/L) exceedance; Copper Action Level (1.3 mg/L) exceedance
  - ✓ Organic Chemical
  - ✓ Inorganic Chemical
  - ✓ Project to address a currently unregulated or any other contaminant not addressed above
  - ✓ Infrastructure improvements or replacements to provide safe drinking water.
- ✓ **Other public health criteria**
- ✓ **Incentives**

# Green Project Reserve

- ✓ In SFY 2014 Hawaii DWSRF will provide at least \$1,684,200 of principal forgiveness to Green Projects statewide
- ✓ 4 categories of green projects:
  - \* Energy Conservation
  - \* Water Conservation
  - \* Green Infrastructure
  - \* Environmentally Innovative
- ✓ Principal forgiveness funds are competitively awarded. Adhering to project schedule is vitally important to maintain funding commitment from DOH.

# Current Loan Rates in Hawaii

- \* The total loan rate is composed of the loan fee and interest rate.
- \* These rates are in place until June 30, 2015 and may be adjusted depending on the ability of the fund to remain in perpetuity.

Total Loan Rate (%)	Interest Rate (%)	Loan Fee (%)	Project Loan Amount (\$)
1.00	0.00	1.00	Over 8 million
1.50	0.50	1.00	4 million to 8 million
2.00	1.00	1.00	Less than 4 million

# Actual Example of Savings

## PLH-39, Lihue Baseyard Improvements for the Department of Water

Loan Type	Loan Amount (\$)	Interest Rate (%)	Term (yrs)	Semiannual Repayment (\$)	Total P/I Paid (\$)	Equivalent Grant (%)
G.O. Bond Rate on 1/2/2014*	8.8 Million	4.75**	20	\$348,535.30	\$13,085,032.93	---
SRF Loan Rate	8.8 Million	1.00	20	\$248,917.43	\$9,654,819.35	\$3,430,214 26%

\* Based on 20-Bond GO Index

\*\* Not including fees

This project is also expected to receive an additional \$1,684,200 in Green Project Reserve grant funding. Total savings using SRF vs. general obligation bond is at least \$5,114,414, or 39%.

# SRF Payments to County

- \* County pays for construction charges up front
- \* County submits SRF payment request
- \* SRF reviews payment request for work completed and within the bid category amounts
- \* SRF sends payment to county

# County Repayments to SRF

- \* Following execution of Final Loan Agreement and having disbursed some or all of the loan funds, the County begins repayment of the loan to the SRF
- \* Based on the term and conditions in the loan agreement
- \* Normally semiannual payments
- \* 20 years or less repayment term

# Important Issue

- \* Hawaii's DWSRF has high levels of idle funds compared to other states
- \* This could result in funds being taken back by Congress
  - \* Especially in current economic climate
- \* **Using the funds available in the SRF helps ensure that they stay in the SRF in perpetuity**

# Final Thoughts

- \* Ultra-low cost funds are getting scarcer due to the reduction of incoming federal and state funds and increasing demand.
- \* Funding is awarded to projects that are ready-to-proceed first and then by Priority List ranking.
- \* Projects that fall significantly behind schedule may be bypassed by other shovel-ready projects. Funding may be delayed or unavailable for bypassed projects.



# Mahalo!

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<http://hawaii.gov/health/environmental/water/sdwb/index.html>

# Future home of SDWB Summer 2016

