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DRINKING WATER TREATMENT REVOLVING LOAN FUND  
INTENDED USE PLAN FOR  
THE STATE OF HAWAII FISCAL YEAR (SFY) 2019 AND  
THE FEDERAL FISCAL YEAR (FFY) 2018 APPROPRIATION  
**AMENDMENT 1**



Submitted to the  
U.S. Environmental Protection Agency  
Region IX

By the  
State of Hawaii  
Department of Health  
Environmental Management Division  
Safe Drinking Water Branch

**April 2019**

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## **AMENDMENT 1 TO THE IUP FOR SFY 2019**

The intended use plan (IUP) for SFY 2019 has been amended to update section I.C. Table 1; section i.c.3.iii. Technical assistance; section i.c.4. EPA in-kind services; section i.d. Additional subsidization; section I.F. Table 3. Equivalency projects for FFY 2018 capitalization grant; section iv. Table 5. Set-asides overview; section IV.A. DWSRF administration fund, c. Small systems technical assistance (2% set-aside), and d. Local assistance and other state programs (15% set-aside); section v. G. Fundable list of projects; appendix a - DWSRF priority list of projects for SFY 2019; appendix c – FFY 2018 federal capitalization grant payments and disbursement schedule for FFYs 2019 and 2020; and appendix d - notice of public participation and input.

### **I. PROGRAM OVERVIEW**

#### **A. INTRODUCTION**

In 1996, the Drinking Water State Revolving Fund (DWSRF) was established by Congress with the passage of Federal amendments to the Safe Drinking Water Act, hereafter referred to as “the Act” (Public Law 104-182). Section 1452 of the Act authorized the Administrator of the Environmental Protection Agency (EPA) to award capitalization grants to States for the establishment of a loan program to finance drinking water infrastructure projects necessary for public water systems to attain and maintain compliance with Act requirements and to further the health protection objectives of the Act. Portions of the Act were further amended by enactment of the Water Infrastructure Improvements for the Nation (WIIN) Act of 2016 - Public Law No: 114-322 on December 12, 2016.

On May 2, 1997, Hawaii’s Governor signed legislation to establish the Drinking Water Treatment Revolving Loan Fund (Act 218/97) in the State of Hawaii. The Drinking Water Treatment Revolving Loan Fund, more commonly known as DWSRF, complies with the provisions of the Act, Section 1452, for the State of Hawaii.

The State of Hawaii, Department of Health (DOH) developed this Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2019. This IUP will be submitted to the EPA as part of the DOH’s application for the DWSRF FFY 2018 Capitalization Grant Appropriation.

The DOH, Environmental Management Division, Safe Drinking Water Branch (SDWB) administers Hawaii’s DWSRF Program. Administration is in accordance with Hawaii Revised Statutes, Chapter 340E, and Hawaii Administrative Rules, Chapter 11-65.

#### **B. DWSRF CAPITALIZATION GRANT FOR FFY 2018**

DWSRF Program plans for SFY 2019 are based on the capitalization grant amount of \$11,107,000.00 from the Consolidated Appropriations Act, 2018 (P.L. 115-141) and the projected state match from the 2018 Hawaii State Legislature of \$2,221,400.00. Based on the Sixth Drinking Water Infrastructure Needs Survey and Assessment, released on March 30, 2018, Hawaii’s share for FFY 2018 through 2021 is one percent of the total national DWSRF appropriation. This IUP will provide information regarding the use

of the federal, state and additional monies generated from other program sources during this SFY 2019 period. Details on key aspects of the Program, including the long- and short-term goals, the priority setting criteria, and a listing of projects, are included in this Intended Use Plan.

### C. SOURCES AND USES OF FUNDS

The projected sources and uses of all funds in the Hawaii DWSRF program are shown in Table 1 below.

Table 1. Projected Sources and Uses of Funds

Sources	Through SFY 2018 (\$)	SFY 2019 IUP (\$)	Cumulative through 6/30/2019 (\$)
Federal Capitalization Grants	202,099,558.00	11,107,000.00	213,206,558.00
State Match	36,519,912.00	2,221,400.00	38,741,312.00
Loan Repayments	104,182,477.98	9,363,232.06	113,545,710.04
Investment Interest	7,339,114.91	180,000.00	7,519,114.91
Loan Fees	9,598,172.81	2,744,077.61	12,342,250.42
Transfers from Loan Fee Account to Loan Fund	16,461,512.49	1,260,484.81	17,721,997.30
<i>Total Sources</i>	<i>376,200,748.19</i>	<i>26,876,194.48</i>	<i>403,076,942.67</i>
<b>Uses</b>			
Final Loan Agreements <sup>A</sup>	319,265,677.62	34,371,211.00	353,636,888.62
Set-Asides & Administrative Support <sup>B</sup>	26,825,478.56	2,336,840.00	29,162,318.56
Loan Fees <sup>C</sup>	5,900,506.39	1,577,453.00	7,477,959.39
EPA In-Kind Services	1,767,500.00		1,767,500.00
<i>Total Uses</i>	<i>353,759,162.57</i>	<i>38,285,504.00</i>	<i>392,044,666.57</i>
<b>Fund Balance</b>	<b>22,441,585.62</b>	<b>(11,409,309.52)</b>	<b>11,032,276.10</b>

NOTES:

<sup>A</sup> Includes ARRA final loan agreements. See Table 5 for more details.

<sup>B</sup> See Table 4 for more details.

<sup>C</sup> This calculation includes the SFY 2018 budget, plus overruns.

#### Loan Fees

On May 17, 2000, the State adopted Chapter 11-65, Hawaii Administrative Rules, entitled “Environmental State Revolving Funds.” These rules establish fees for loans and other financial assistance from the DWSRF. On November 7, 2011, these rules were revised in which the annual maximum loan fee of 3.25 percent may be charged to DWSRF loans was established and the limit on the fees collected for the DWSRF administrative loan fee account was increased to \$2 million. At the end of each fiscal year, any funds within the DWSRF administrative loan fee account, less encumbrances, more than \$2 million will be transferred to the DWSRF repayment accounts to be used for DWSRF loans.

From SFY 2001 to SFY 2017, there were two classes of loan fees – Program Fees and Non-Program Fees. Beginning in SFY 2018, per 40 CFR §35.3530, DWSRF will utilize a single Loan Fee account outside the fund to primarily support the following:

1. DWSRF Administrative activities - costs of processing, issuing and servicing loans, supporting engineering services, financial and legal consulting fees, reimbursement for support services from the State, and other DWSRF activities.
2. Public Water System Supervision Program (PWSSP) - costs to support:
  - a. Travel and other expenses for Neighbor Island sanitary surveys
  - b. Travel and other expenses for quality assurance quality control monitoring
  - c. Educational, scientific, laboratory, and computer supplies
  - d. Equipment for Electronic Sanitary Surveys
3. Other SDWB activities costs to cover the budget shortages in the:
  - a. Groundwater Protection Program (GWPP)
  - b. 10% Set-Aside budget:
    - i. Travel and other expenses for Administration, Surveillance, Training & Technical Assistance
    - ii. Laboratory Maintenance Contracts for Chemistry and Micro Labs and training
    - iii. Attorney General support
    - iv. Other operating expenses – advertising, office rental equipment; Motor Pool rental, gas, oil, maintenance; printing, Training and Registration Fees; utilities; telephone
    - v. Computer equipment purchases
  - c. 15% Set-Aside Budget:
    - i. Circuit Rider Contract
    - ii. The 2018 Joint Government Water Conference (five days on four islands) theme is “Protecting Hawaii’s Groundwater” and will be held in July-August 2018 (SFY 2019). EPA Grants Policy Issuance, GPI-11-02 (Food Policy) - Approved via SFY2017 and SFY2018 IUPs and EPA grant awarded on September 28, 2017. Comptroller approval request, dated April 16, 2018. The estimated total cost for five (5) one-day Joint State Water Conference is \$46,864.84 (food and beverage cost =\$25,598.36; hotel/facilities cost=\$12,936.48; balance is travel and other supplies). Budget of \$40,000.00 in SFY 2017 continued to SFY 2018 to plan and make deposits; Budget of \$6,900.00 in SFY 2019 to pay balance due.
    - iii. Technical Assistance - The Governor’s approval to contract for staffing resources in the new 2019-2021 Circuit Rider contract was received on June 23, 2017, and an amendment to increase the total contract period to three (3) years and amount to \$750,600.00 was approved on December 28, 2018. The Request for Proposals was posted in SFY2018 for contract execution in SFY2019 and will initially be funded in the first 12 months for \$250,200.00 with DWSRF

15% funds. Each of the following two (2) 12-month periods of the contract will be funded by \$100,400.00 of DWSRF 15% funds and \$400,000.00 of Fees.

- d. 1/5% of net assets for administration of the DWSRF program:
  - i. Personnel salary, fringe, and indirect for 10 positions (portions of Safe Drinking Water Branch Engineering Staff, full and portions for Water Revolving Fund Staff, other attached Environmental Health Administration office staff)
  - ii. Training and Registration Fees
  - iii. Single audit expenses
- 4. DWSRF loan fund - funds within the DWSRF administrative loan fee account, less encumbrances, which are more than \$2 million are transferred each year to the DWSRF repayment accounts to be used for DWSRF loans.

Table 2. Loan Fees

Projected Loan Fees Collected Through SFY 2019 (\$)	Projected Expenses SFY 2019 (\$)
2,255,666.00	1,577,453.00

### **EPA In-Kind Services**

In-Kind Services is a portion of the allotted capitalization grant that is withheld by EPA for various uses. Through SFY 2018, there has been total withholdings of \$19.5 million from ARRA and \$1,767,500.00 of in-kind expenses in SFY 2000, 2001, 2005, 2013, 2015, 2017, and 2018.

In SFY 2019, \$200,000.00 was withheld from the Administrative Fund for the Intergovernmental Personnel Act (IPA) Mobility Program to provide engineering/environmental health specialist assistance for the Engineering, Compliance, and/or Monitoring Section. The EPA will award \$195,000.00 of the \$395,000.00 available for the 1/5 % of the net assets for the Administrative Fund. The IPA search process was not successful, and the \$200,000.00 will be returned to the state for other administrative expenses.

During SFY 2018, the CWSRF and DWSRF programs will begin procuring a state contract for the Loans and Grants Tracking System (LGTS) services needed after the In-Kind Services Work Assignment with Northbridge Environmental Management Consultants ends on December 31, 2018. The DWSRF program will contribute \$99,000.00 for the continuing services of Northbridge Environmental Management Consultants for the LGTS Maintenance and possible improvements.

### **D. REQUIREMENTS OF CONSOLIDATED APPROPRIATIONS ACT, 2018 – PUBLIC LAW No: 115-141**

The Consolidated Appropriations Act, 2018 (H.R.1625) became Public Law No: 115-141 on March 23, 2018. It provides the FFY 2018 appropriation for the DWSRF in Division G – Department of the Interior, Environment, and Related Agencies Appropriations Act, 2017, Title II – Environmental Protection Agency Science and Technology, State and Tribal Assistance Grants,

<https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf>, page 318 of 878). The FFY 2018 appropriation requirements are the same as the FFY 2016 appropriation and the Water Infrastructure Improvements for the Nation (WIIN) Act of 2016 - Public Law No: 114-322, which carried the following requirements:

### **Additional Subsidization**

Twenty (20) percent of the funds made available under this title to each State for DWSRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of principal forgiveness, negative interest loans, or grants (or any combination of these).

Funds in accordance with this Act have been earmarked for additional subsidization in the form of zero percent interest loans with principal forgiveness. For SFY 2019, the Hawaii DWSRF program will primarily award the \$2,221,400.00 additional subsidy to privately-owned public water systems, with secondary consideration to covering the National Historic Preservation Act (NHPA) Section 106 consultation review of Hawaii DWSRF projects.

If needed, a tertiary prioritization for awarding additional subsidy will be implemented. The Hawaii DWSRF program will assess disbursement activity in SFY 2018 to determine which borrower most closely submitted regular monthly payment requests. Any remaining additional subsidy for SFY 2019 will go to that borrower's next executed loan. This incentivizes the borrowers to ensure the timely disbursement of their loan funds.

Act 98, signed by the governor on June 8, 2009, authorizes the Department of Health to provide such financial assistance to publicly-owned water systems from the Capitalization Grant.

Specific projects assigned additional subsidies are listed in Table 3.

### **Green Project Reserve (GPR)**

For FFY 2018, funds made available under this title to each State for DWSRF capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

The Hawaii DWSRF Program is committed to the implementation of sustainable and green infrastructure. Projects that incorporate green infrastructure, water or energy efficiency improvements or other environmentally innovative activities will receive bonus points under the DWSRF rating.

### **Reporting Requirements**

The Hawaii DWSRF Program will report the utilization of funds under the SFY 2019 IUP. The major reporting vehicles will be the DWSRF Project Benefits Reporting (PBR) system, Drinking Water State Revolving Fund National Information Management System (DWNIMS), and the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS). Reporting will include



the use of funds for the GPR and Additional Subsidization and information on the environmental benefits of DWSRF-funded projects.

### **Davis-Bacon Requirements**

For FFY 2012 and each fiscal year thereafter, the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

### **American Iron and Steel (AIS)**

None of the funds made available by the DWSRF shall be used for a project for the construction, alteration, maintenance, or repair of a public water system unless all items used in the project complies with the AIS requirements, pursuant to the American Recovery and Reinvestment Act, P.L. 113-76 Section 436 and 1605. This means, all materials that are majority iron or steel must be produced in the United States, unless specifically stated as exempt.

Borrowers have the option to apply the *de minimis waiver*, which allows certain incidental items to be exempt from AIS, up to 5% of the total materials cost. The cost of any individual item may not exceed one percent of the total cost of the materials used in and incorporated into a project. If a borrower claims *de minimis* items, it will be stated and tracked in the project file.

### **Signage**

For the FFY 2015 SRF capitalization grant and each fiscal year thereafter, the DWSRF program must comply with SRF Signage Guidelines to enhance public awareness of EPA assistance agreements nationwide. This shall be achieved on an equivalency basis.

### **Cash Draw Ratio**

The cash draw ratio (also known as proportionality) is the ratio of federal to state monies used to fund a loan. In accordance with EPA Office of Water Memorandum 13-04 (September 30, 2013), the DWSRF will deposit and disburse state match funds (or an equivalent amount of non-federal funds) prior to drawing any funds from the federal capitalization grant. After all state match funds (or an equivalent amount of non-federal funds) have been disbursed, the DWSRF may draw funds from the capitalization grant at a ratio of 100% of the disbursement amount.

## **E. OTHER REQUIREMENTS**

### **National Historic Preservation Act (NHPA), Section 106**

As dictated in 36 CFR §800, projects utilizing Federal Funding must undergo a NHPA Section 106 Consultation Review. This includes consulting with Native Hawaiian Organizations, the Office of

Hawaiian Affairs, and the State Historic Preservation Division, among other possible stakeholders, to ensure historic or culturally sensitive areas and architecture are protected during a project undertaking.

Since this requirement is triggered with the use of Federal Funding, the DWSRF will satisfy the requirement by applying equivalency up to the FFY 2018 Capitalization Grant amount.

## F. PROJECTS USED TO FULFILL EQUIVALENCY AND THE CONTINUING APPROPRIATIONS ACT, 2018

To meet the requirements for equivalency and of the Continuing Appropriations Act, 2018, the Hawaii DWSRF program intends to use the projects as listed in Table 3, below.

Table 3. Equivalency Projects for the FFY 2018 Capitalization Grant

Primary Project(s)	FFATA (\$)	GPR (\$)	Additional Subsidy (\$)	Signage (\$)	NHPA Section 106 (\$)
P-DW243-0001 Kaeleku Tank Replaceent			1,000,000.00		
DW331-0068 Energy Savings Performance Contracting-BWS Sites	10,960,611.00	10,960,611.00		10,960,611.00	10,960,611.00
HBWS-PF19 Honolulu BWS ProFi SFY 2019	146,389.00			8,000,000.00	8,000,000.00
<b>Required Assignment</b>	11,107,000.00	-	2,221,400.00	11,107,000.00	11,107,000.00
<b>Total Assigned</b>	11,107,000.00	10,960,611.00	1,000,000.00	18,960,611.00	18,960,611.00
<b>Total Unassigned</b>	-	-	1,221,400.00	-	-

## II. DWSRF LONG-TERM AND SHORT-TERM GOALS

In establishing the national DWSRF Program, Congress gave the States the flexibility to design a program that can be tailored to meet the needs of the local public water systems. The long- and short-term goals for Hawaii’s DWSRF Program are presented below. They provide a framework for the direction of Hawaii’s DWSRF Program.

### A. LONG-TERM GOALS

1. To assist as many water purveyors as possible to attain compliance with State and Federal Drinking Water Regulations through the low-interest loan program.
2. To maintain the DWSRF Program in perpetuity.
3. To promote sustainable infrastructure and energy efficiency using the DWSRF’s Green Project Reserve.

## **B. SHORT-TERM GOALS**

1. Continue implementation of some of the recommendations from the Northbridge Environmental Management Consultants' October 2014 *Hawaii SRF Management Study for the CWSRF and DWSRF Programs* to streamline the Hawaii DWSRF program and increase the program's pace.
2. Continue modification of the Functional Procedures and the Operating Agreement to reflect and meet the DWSRF requirements and needs.
3. Continue working with Northbridge on the implementation of the Financial Operations and Cash Flow Utilization in the SRF (FOCUS) financial planning model to better plan the use of funds in the DWSRF Program.
4. Continue working with Northbridge on the development and implementation of the Loans and Grants Tracking System (LGTS) to track the required items, which include accounting, management, set-asides, compliance and customer service concerns.
5. Implement policies and procedures in the DWSRF program to accommodate funding for privately-owned water systems.

## **III. DWSRF FINANCING GUIDELINES**

### **A. DWSRF PROJECT ELIGIBILITY**

The DWSRF Program will fund drinking water projects that fall under these categories:

- Projects to correct acute health problems;
- Projects to correct chronic health problems; and
- Projects to meet other public health criteria, address health advisories, and address Maximum Contaminant Levels.

The DWSRF Program will reference the *Drinking Water State Revolving Fund Eligibility Handbook*, dated June 2017, which is available online at

<http://health.hawaii.gov/sdwb/files/2017/06/DWSRFEligibilityHandbook.pdf>.

### **B. DWSRF FINANCING TERMS**

Hawaii's DWSRF Program will provide low-interest loans for construction and refinancing of eligible drinking water projects within the State. Beginning in SFY 2019, the DWSRF Program will allow privately-owned water systems to apply for loans. Existing debt may be refinanced upon verification by the Hawaii DWSRF program that the debt being refinanced pertained solely to the completion of a project that met the same DWSRF requirements of a construction loan. Project priority will be

determined by program guidelines as detailed in Section V, “Priority List of Projects and Project Selection Procedures” in this IUP.

In most cases, loans to eligible projects are made under terms and conditions effective at the time of financing. The following guidelines are currently in place:

- Loans to eligible projects, using the DWSRF funds, can be for 100 percent financing of the allowable project costs.
- Except for disadvantaged communities, loan repayment periods will be limited to a maximum of 20 years, with repayment installments to be made semi-annually. Disadvantaged communities may extend financing for up to 30 years. See the Disadvantaged Communities section in this IUP for details.
- DWSRF loan rates will remain fixed over the life of the loan.
- The DWSRF total annual loan rates for project-based loans will follow a tiered structure based on loan amounts. The total loan rate is composed of the loan fee and interest rate, as shown in the following table. These rates are in place until June 30, 2019, and may be adjusted depending on the ability of the fund to remain in perpetuity.

Table 4. Loan Rates

Total Loan Rate (%)	Interest Rate (%)	Annual Loan Fee (%)	Project Loan Amount (\$)
1.25	0.25	1.00	Over 8 million
1.75	0.75	1.00	4 million to 8 million
2.25	1.25	1.00	Less than 4 million

- The DWSRF total annual loan rate for Programmatic Financing (ProFi) loans follow the rate as a project-based loan amount over \$8M.
- Administrative loan fees are calculated based on the outstanding principal balance of the loan multiplied by a semi-annual rate of one-half percent (0.50%).
- The principal amortization for most DWSRF loans begins within one year after construction completion or three years after the date of the final loan agreement, whichever is earlier.
- For ProFi loans, principal amortization begins the October following the end of the State Fiscal Year that the ProFi is assigned. For example, the ProFi loan for SFY 2019 principal amortization shall begin on October 2019 and continue semi-annually thereafter.
- The Hawaii DWSRF program is utilizing FOCUS to evaluate the amount of interest and loan fees necessary for the Hawaii DWSRF to operate in perpetuity.

## IV. SET-ASIDE ACTIVITIES

The Act allows each state to set-aside up to 31 percent of its federal capitalization grant to support various drinking water program activities including administration, state program management, technical assistance and other special activities. Separate and identifiable accounts have been developed to be used for these Set-Aside Activities. Banking set-asides in the loan fund allows the funds to be used for loans now and reserves Hawaii’s authority to take these funds from future capitalization grants. Set-Aside activities are outlined in Table 5 and in the narrative below.

Hawaii will submit detailed workplans to EPA for approval before funds are expended on these activities. Hawaii will report on the progress of these set-aside activities to EPA in the annual performance status reports.

Once finalized, the DWSRF Program will reference the EPA Office of Water’s *Analysis of the Drinking Water State Revolving Fund Set-Asides: Building the Capacity of Drinking Water Systems (EPA 816-R-17-004)*, October 2017 at [https://www.epa.gov/sites/production/files/2017-10/documents/final\\_dwsrf\\_2017\\_report\\_508compliant.pdf](https://www.epa.gov/sites/production/files/2017-10/documents/final_dwsrf_2017_report_508compliant.pdf) for additional possibilities for the use of the funds to protect the drinking water of the state. The report contains examples of other state’s uses of the funds, lists nine (9) different categories for set-aside activities, and provides opportunities for collaboration. The analysis of Hawaii’s uses is on PDF pages 64-65.

Table 5. Set-Asides Overview

SDWA Act Set-Aside and Administrative Support Reference	Set-Aside & Admin Support Activity	Set-Aside FFY 2018 Capitalization Grant Funds (\$)	Set-Aside Funds FFY 1997-2017 (\$)	Banked Set-Aside FFY 2018 Capitalization Grant Funds (\$)	Banked Set-Aside FFY 1997-2017 Capitalization Grant Funds (\$)	Projected Expenses SFY 2019 (\$)
Section 1452 (g) (2) – (4%)	DWSRF Administration Fund	0.00	5,319,128.00	0	0.00	0.00
Section 1452 (g) (2) – (10%)	State Program Management	1,090,700.00	12,680,819.88	0	3,828,600.00	1,090,700.00
Section 1452 (g) (2) – (2%)	Small Systems Technical Assistance	218,140.00	1,561,985.16	0.00	1,537,740.00	218,140.00
Section 1452 (k) – (15%)	Local Assistance and Other State Programs	668,000.00	10,829,510.69	0	0	668,000.00
Section 1452(g)(2) as amended by WIIN Act of 2016, Section 2103 - 1/5 % of the current valuation of the fund	DWSRF Administration Fund	395,000.00	373,800.00	0	0	395,000.00
<b>Total Set-Asides &amp; Admin Support</b>		<b>2,371,840.00</b>	<b>30,765,243.73</b>	<b>0.00</b>	<b>5,366,340.00</b>	<b>2,371,840.00</b>
<b>Total Banked Set-Asides FFY 1997-2017 Capitalization Grant Funds</b>				<b>\$5,366,340.00</b>		

## **A. DWSRF ADMINISTRATION FUND**

Section 1452(g)(2) of the Act allows up to four percent of the DWSRF Capitalization Grant to be set-aside for administration of the DWSRF program. Administrative functions include the development, implementation and review of DWSRF program processes and documentation needs that may include, but are not limited to, financial, managerial, and legal consultation, DWSRF set-aside and funds accounting, application review, public assistance, audits, information system maintenance, record retention and filing, environmental review, development of the Intended Use Plan and Priority List of Projects, budget, workplan, plans and specifications review and approval, construction inspections and staff training.

The WIIN Act of 2016, §2103, provided “states with two additional options to calculate the maximum allowable Administration and Technical Assistance set-aside that can be taken for capitalization grants awarded after 12/16/2016. States may take up to \$400,000.00, 1/5<sup>th</sup> of a percent of the current valuation of the fund or 4 percent of capitalization grants awarded, whichever is greater” (2017 CIFA National Policy Conference presentation slide, N. Chamberlain). “No matter which of the three options the state chooses for this set-aside, funds must come from the capitalization grant and not be comingled with the loan fund.” For SFY 2019, DOH will be using up to 1/5% of net assets which is a little more than \$395,000.00. As mentioned in the EPA In-Kind Services section (page 6), the \$200,000.00 for the IPA **will be returned to this fund for other expenses.**

The budget includes partial funding of two (2) positions which will draw \$187,536.00 of the budget within one (1) state fiscal year. The remainder of the budget will be used for related travel, and other miscellaneous expenses and will be drawn in its entirety within one (1) state fiscal year.

## **B. STATE PROGRAM MANAGEMENT (10% SET-ASIDE)**

Section 1452(g)(2) of the Act allows up to ten percent of the DWSRF Capitalization Grant to be set-aside to support Public Water System Supervision program activities and other initiatives of the Act. These funds support activities, which are important for the State Program to maintain primary enforcement authority and strengthen the State’s Public Water System Supervision program. Activities covered under the State Program Management set-aside include, but are not limited to, Public Water System Supervision program activities, capacity development, operator certification, sanitary surveys, regulation development and contracts for conducting sanitary surveys, security training, cross-connection training, and quality assurance and quality control measures.

The budget includes funding of seven (7) positions which will draw over \$794,976.00 of the budget within one (1) state fiscal year. The remainder of the budget will be used for related travel, supplies, and Information System enhancements, and will be drawn in its entirety within one (1) state fiscal year.

“The WIIN Act of 2016, §2103, eliminated the statutory text mandating the additional 1:1 match for the State Program Management set-aside. For capitalization grants awarded after December 16, 2016, states are no longer required to provide the additional match to receive this set-aside” (2017 CIFA National Policy Conference presentation slide, N. Chamberlain).

### **C. SMALL SYSTEMS TECHNICAL ASSISTANCE (2% SET-ASIDE)**

Section 1452(g)(2) of the Act allows up to two percent of the DWSRF Capitalization Grant to be set-aside to support Small Systems Technical Assistance activities.

These funds will be used to provide future assistance to public water systems serving fewer than 10,000 people or 89 percent of the public water systems in Hawaii. Activities under this set-aside include helping systems prepare their DWSRF loan applications, assistance with improving their technical, financial, and managerial capability, training, and planning, technical assistance via sanitary survey follow-ups, direct on-site assistance and a Circuit Rider program to address any necessary improvements to the water system.

The Safe Drinking Water Branch will take \$20,000.00 in SFY 2019 to support the registration of small systems operators and board members attendance at the annual Pacific Water Conference which is a joint conference of the American Water Works Association – Hawaii Section and Hawaii Water Environment Association to be held February 19-21, 2019. The request for approval for Allowability of Costs for Light Refreshments and Meals (GPI-11-02) Food Policy will be submitted by June 30, 2018.

The remaining \$198,140.00 balance of the set-aside will fund contracts to provide small systems with technical assistance for Engineering Consulting (\$171,480.00) and Asset Management. Additional funds for other systems needing this same technical assistance will be funded with the 15% Set-Aside. This set-aside will be drawn in its entirety within two (2) state fiscal years (estimated to begin disbursing in May 2019).

### **D. LOCAL ASSISTANCE AND OTHER STATE PROGRAMS (15% SET-ASIDE)**

Section 1452(k) of the Act allows up to 15 percent of the DWSRF Capitalization Grant to be set-aside to support Local Assistance and Other State Programs.

Activities under this set-aside include, but are not limited to, wellhead protection and related source water protection activities (such as, reducing water loss through the use of audits and identification of potential improvements utilizing DWSRF funding, creating local source water protection advisory committees, development of source water protection plans and strategies, and implementing protection activities including outreach and educational programs); technical, financial and managerial capacity development and related activities (which may include vulnerability assessments, contingency and emergency response plans, and security for protecting drinking water sources); technical assistance via sanitary survey follow-ups and direct on-site assistance to address any necessary improvements to the water system; and a Circuit Rider program to address any necessary improvements to the water system. None of the individual activities listed will exceed ten percent of any year's capitalization grant.

Technical support is provided through the Circuit Rider program to assist noncompliant systems not needing infrastructure investment to return to compliance. The current Circuit Rider program funding was moved from this set-aside to non-program fees and was modified to end on September 30, 2018.

The budget for this set-aside includes funding of three (3) positions which will draw \$303,102.00 within one (1) state fiscal year. Over \$364,000.00 of the budget for SFY 2019 is for technical assistance, various supplies, and other miscellaneous expenses. The remaining \$998,050.00 will be used by the loan program. The Hawaii DWSRF 15% Set-Aside Multi-Year Business Plan, SFY2017 – SFY2022, provides goals and objectives of Technical Assistance and Source Water/Wellhead Protection Program for the use of the fund. The projects or subawards to utilize the funds within two (2) fiscal years include:

- Water Loss Audit Training and Technical Assistance (Subaward) – Multi-year project to be managed by the Hawaii Department of Land and Natural Resources Commission on Water Resource Management ([SB 2645, SD2, HD1, CD1 – Relating to Water Audits](#)). Potential identification of future DWSRF infrastructure projects. Budget of \$200,000.00 in SFY 2017 fully drawn by June 30, 2018; \$250,000.00 in SFY 2018; and \$150,000.00 in SFY 2019.
- Cesspool Contamination Risk Evaluation: There is a critical need to identify those specific cesspool clusters posing the greatest risk to public drinking water sources and develop cost effective plans to reduce the contamination risk. Project name: An Evaluation of the Cesspool Contamination Risk to Public Drinking Water Sources on Kauai. Groundwater Protection Program Strategy Goal: Identify and prioritize groundwater contamination threats – Onsite sewage disposal systems with a priority on cesspools. Budget of \$90,000.00 in SFY 2019 estimated to begin disbursing in May 2019 through SFY 2020. **This project has been postponed and the budget of \$90,000.00 has been reassigned to the loan fund.**
- Characterize the Regional Groundwater Flow Paths: Identify the zones of recharge of groundwater captured by public drinking water wells, characterize the flow paths from the zones of recharge to the public drinking water wells, and identify those sub-surface structures that determine groundwater flow paths. Project name: Investigate Groundwater Flow in Kauai. Groundwater Protection Program Strategy Goal: Identify and prioritize groundwater contamination threats – Onsite sewage disposal systems/cesspools/injection wells. Budget of \$75,000.00 in SFY 2019 estimated to begin disbursing in May 2019 through SFY 2020. **This project has been postponed and the budget of \$75,000.00 has been reassigned to the loan fund.**
- Technical Assistance - Contract to provide systems with technical assistance for Engineering Consulting (**\$128,520.00**) and Asset Management to supplement funds budgeted under the 2% Set-Aside (small systems support only). This set-aside will be drawn in its entirety within two (2) state fiscal years. Budget of \$128,520.00 in SFY 2019 estimated to begin disbursing in **May 2019** through SFY 2020.

## **V. PRIORITY LIST OF PROJECTS AND PROJECT SELECTION PROCEDURES**

### **A. PRIORITY LIST OF PROJECTS**

Any project considered for funding must be listed on the Priority List of Projects. The *DWSRF Priority List of Projects for SFY 2019* is presented in Appendix A. In January 2018, the county water departments and privately-owned water systems were invited to submit proposed projects for DWSRF funding.



Throughout the year, borrowers may add new projects for inclusion in the *Priority List of Projects*. A new 30-day comment period would be initiated for each major update to the *Priority List of Projects* or the IUP (e.g., “SFY 2018 Intended Use Plan – Amendment 1 [\[.pdf\]](#)”). The *Priority List of Projects* was developed by evaluating the proposed projects based on the Project Selection Procedures and DWSRF Rating Criteria. The priority ranking system is applicable for projects to be funded through the DWSRF program. Amendments to the Project Selection Procedures and DWSRF Rating Criteria will be considered as appropriate to reflect the changing character of the Program. The *DWSRF Project Rating Criteria* is found in Appendix B.

## **B. PROJECT SELECTION PROCEDURES**

The State of Hawaii utilizes a ranking system to establish the order in which eligible projects will be financed. Projects are ranked based on the relative impact of the project in achieving the objectives of the Act. In general, priority is given to current construction projects that facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the Act.

The *Priority List of Projects* is developed and updated each year and placed in the Intended Use Plan. The Intended Use Plan is then made available for public review and comment each year.

As required by the Act Amendments of 1996, the priority ranking system attempts to assign the highest priority to those projects, which:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the requirements of the Act; and
3. Assist systems most in need, on a per household basis.

Projects are ranked against all other projects competing for funds using the DWSRF Project Rating Criteria. While points are primarily assigned on a basis of the health problems or the Act compliance issue being addressed by a project, a final criterion is reserved for determining the priority of eligible projects with the same point totals. The Act amendments of 1996 require that 15 percent of the monies available for funding projects each fiscal year must go to public water systems that serve 10,000 or fewer persons (small public water systems). Thus, the highest ranking small public water system project that will be ready-to-proceed in that fiscal year will be selected to satisfy the minimum 15 percent level. If there are no projects that meet these criteria, DOH will make this portion of the fund available to all other public water systems. This will ensure that the funds are allocated as expeditiously as possible and are efficiently utilized.

Due to the limited funds available and the anticipated demand for low-interest loans, the DWSRF emphasizes the financing of construction projects addressing public health protection and compliance.

### **C. TIE-BREAKING PROCEDURE**

The following procedure is used for breaking ties between projects at the time of evaluation.

1. If the overall score is tied between two or more projects, then the project with the highest Water Quality and Public Health score will be given the higher priority.
2. If there is still a tie after tie-breaker #1, then the project with the highest Affordability score will be given the higher priority.
3. If there is still a tie after tie-breaker #2, then the project with the highest Compliance/Enforcement score will be given the higher priority.
4. If there is still a tie after tie-breaker #3, then the project with the highest Sustainability/Resiliency score will be given the higher priority.
5. If there is still a tie after tie-breaker #4, then the cost burden per person, which is the project cost divided by the population affected by the project, will be calculated and the higher total will be given the higher priority.

### **D. PROJECT READINESS BYPASS PROCEDURE**

The DOH will work with the water systems with the highest ranked projects on the *DWSRF Priority List of Projects* to ensure that those projects are given a chance to be funded first.

However, the final funding selection of drinking water projects from the *Priority List of Projects* will be based primarily on the project's readiness-to-proceed. Projects that are ready to proceed are prepared to begin construction and are immediately ready, or poised to be ready, to execute a final loan agreement with the DOH. If, for whatever reason, a public water system is not ready-to-proceed to construction in a timely fashion, the DOH may select a lower ranking project for funding based on its ability to proceed in a timely manner. This bypass procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

The DOH reserves the right to fund lower priority projects over higher priority projects if in the opinion of DOH, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and initiation of construction (e.g., DOH has not received the required documents to execute a loan agreement, the project is not ready-to-proceed with construction, or the public water system withdraws its project for consideration). If a project must be bypassed because it has been delayed, it will be given priority for funding as soon as it is ready, and funds become available. The DOH may also raise the priority of a project on the *Priority List of Projects* in the case of an emergency or natural disaster, such as a landslide, hurricane, flood, earthquake, etc.

To receive DWSRF funding, all projects must comply with the DWSRF and State Environmental Review Process prior to commencement of construction.

## **E. EMERGENCY PROJECTS BYPASS PROCEDURE**

If an emergency occurs, resulting in a project that needs immediate funds and attention, that project can get top priority for available funding. The DWSRF shall make the final determination that an emergency exists and if emergency funding is available, we may award an emergency loan to an eligible public water system. These funds will be available for the construction, reconstruction, replacement, rehabilitation, temporary repair, or improvement necessary to continue or restore operation of a public water system that is in violation of health and safety standards due to an emergency as defined above. For purposes of this program, emergency refers to an event like a natural disaster that causes damage or disrupts normal public water system operations and requires immediate action to protect public health and safety. A failure to maintain, replace, reconstruct, upgrade, or make necessary infrastructure improvement does not constitute an emergency.

Preference shall be given to non-governmental water systems. Loan terms for emergency projects may extend up to 30 years. If a project is bypassed because of an emergency project, it will get priority for funding as new funds become available.

## **F. DISADVANTAGED COMMUNITIES**

The DWSRF is authorized to provide up to 30 percent of the Capitalization Grant for any fiscal year to assist disadvantaged communities. A disadvantaged community is currently defined as a public water system's community with an affordability score of 45 or greater (out of 100), based on the DWSRF Priority Scoring Model and as demonstrated in the Population and Housing Characteristics, State of Hawaii, By Census Tracts: 2011-2015.

The Hawaii DWSRF program may assist disadvantaged communities by allowing county-owned water systems in such communities to extend financing of DWSRF loans up to 30 years.

## **G. FUNDABLE LIST OF PROJECTS**

For the SFY 2019, projects listed in Table 6 may be funded up to 100 percent of the eligible pre-construction and construction cost from the *DWSRF Priority List of Projects for SFY 2019* based on potential available funds and readiness-to-proceed. For more specific information on the projects listed in this table, see Appendix A.

Per the FOCUS financial planning model using amounts as of April 1, 2018, the loan program capacity is \$34.7M. There will be \$23.41M executed in new loans and another \$10.96M executed in a Supplemental Loan Agreement for the existing DW331-0068 Energy Savings Performance Contracting – BWS Facilities project.

The SDWB intends to execute \$1,000,000.00 in principal forgiveness, no interest loans to the privately-owned PWSs in SFY2019. However, placement of these projects onto the SFY 2019 Fundable List of Projects are pending completion of milestones such as land acquisition approval, design, and environmental and historic reviews. Once the projects are ready to proceed, the SFY 2019 Fundable List

of Projects will be revised and posted for the required 30-day public comment period. **This amendment includes the first privately-owned PWS to be listed in Table 6.**

Table 6. Fundable List of Projects

Rank	Project No.	Owner	Project Name	Service Population	Estimated SRF Assistance (\$)	Estimated Start Date
26	DW331-0068	Honolulu BWS	Energy Savings Performance Contracting – BWS Facilities <sup>D, F</sup>	984,178	10,960,611 (Final portion of 32,881,833 total loan)	Sep-16
13	MDWS-0002	Maui DWS	Maui DWS Water System Improvements <sup>D</sup>	11,851	4,500,000	Aug-18
20	P-DW243-0001	Hana Water Systems	Kaeleku Tank Replacement	160	1,000,000	Apr-19
1	HDWS-PF19	Hawaii DWS	Hawaii DWS Pro-Fi SFY 2019 <sup>D, E</sup>	191,482	7,000,000	SFY 2019
10	DW213-0018	Maui DWS	Pookela Well B Development <sup>D</sup>	3,338	4,000,000	SFY 2019
12	HBWS-PF19	Honolulu BWS	Honolulu BWS Pro-Fi SFY 2019 <sup>D, E</sup>	984,178	8,000,000	SFY 2019
<b>TOTAL</b>					<b>35,460,611</b>	

NOTES:

<sup>D</sup> Disadvantaged Community based on the DWSRF Priority Scoring Model and as demonstrated in the Population and Housing Characteristics, State of Hawaii, By Census Tracts: 2011-2015.

<sup>E</sup> Green Project Reserve: Water Efficiency

<sup>F</sup> Green Project Reserve: Energy Efficiency and Neutrality

## VI. ASSURANCES AND PROPOSALS

### A. ENVIRONMENTAL REVIEW

The DWSRF Program revised the State Environmental Review Process (SERP) to ensure that it meets the requirements of the federal DWSRF program. The DWSRF Program provided EPA with the revised proposed SERP (to include Environmental Impact Statement [EIS] projects), which was approved by EPA’s Regional Administrator (RA) in February 2018. Going forward, the DWSRF Program will utilize the approved SERP to conduct environmental reviews for all eligible DWSRF funded projects.

## **B. FEDERAL CROSS-CUTTERS**

The State will ensure that all federal cross-cutters are addressed within the loan agreement prior to the finalization of the agreement. All projects seeking DWSRF assistance must have been and/or be constructed following all federal cross-cutters and other DWSRF environmental requirements.

## **C. BINDING COMMITMENT**

Hawaii's DWSRF Program will enter binding commitments in an amount equal to the amount of each Capitalization Grant payment (Capitalization Grant less set-aside amounts) and accompanying State Match that is deposited into the Loan Fund. These commitments must be initiated within one year after receipt of each Capitalization Grant payment and will ensure compliance with the binding commitment requirement.

## **D. TIMELY EXPENDITURE**

The State will expend all funds in the DWSRF loan fund in a timely and expeditious manner in accordance with the EPA *Drinking Water State Revolving Fund (DWSRF) National Unliquidated Obligations Strategy* of April 14, 2014.

# **VII. U.S. ENVIRONMENTAL PROTECTION AGENCY STRATEGIC PLAN GOALS AND OBJECTIVES**

The Hawaii DWSRF Program supports the National EPA 2018-2022 Strategic Plan, as listed below. Specifically, Hawaii has established and manages the revolving loan fund that provides low-cost loans and other types of assistance to water systems by financing the cost of infrastructure projects to achieve or maintain compliance with the Act requirements. Hawaii DWSRF activities support EPA Program Reporting Code 201B81E. Every summer, Hawaii and EPA negotiate Hawaii's Strategic Plan commitments for the State Fiscal Year starting July 1. Hawaii's commitments for SFY 2019 will be submitted by mid-May 2018.

STRATEGIC PLAN GOAL 1: CORE MISSION: DELIVER REAL RESULTS TO PROVIDE AMERICANS WITH CLEAN AIR, LAND, AND WATER, AND ENSURE CHEMICAL SAFETY<sup>1</sup>

STRATEGIC PLAN OBJECTIVE 1.2: PROVIDE FOR CLEAN AND SAFE WATER – Ensure waters are clean through improved water infrastructure and, in partnership with states and tribes, sustainably manage programs to support drinking water, aquatic ecosystems, and recreational, economic, and subsistence activities.

All planned and prior year loans have assisted public water systems to meet the federal and state drinking water compliance requirements. Details of Hawaii's DWSRF activities supporting the National EPA Strategic Plan will be included in the DWSRF Annual Report due to EPA on October 1<sup>st</sup> of each year.

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<sup>1</sup> FY2018-2022 EPA Strategic Plan at <https://www.epa.gov/sites/production/files/2018-02/documents/fy-2018-2022-epa-strategic-plan.pdf>.

A summary of loan activity for the fiscal year will be included in the report as well as details for each project. Project details will include a brief description and benefit of the project, project number, dollar amount and population served for projects financed, and the interest rate for each loan.

**APPENDIX A - DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2019**

## APPENDIX A - DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2019

Priority Ranking	Project Number	Borrower	Project Name	Population	Estimated Eligible Amount	Estimated Start Date
1	P-DW156-0002	Hawaiian Shores Association	HSCA Water Line Capacity Improvement	1,310	900,000.00	12/31/2018
2	P-DW156-0003	Hawaiian Shores Association	HSCA Water Lateral Replacement	1,310	125,000.00	6/1/2019
3	HDWS-PF19	Hawaii Department of Water Supply	Hawaii DWS Pro-Fi SFY 2019	191,482	7,000,000.00	SFY 2019
4	P-DW437-0001	Moloaa Irrigation Cooperative	0.5 MG Tank Replacement	47	1,250,000.00	SFY 2020
5	P-DW156-0001	Hawaiian Shores Association	HSCA Backup Generator	1,310	75,000.00	9/1/2018
6	P-DW248-0001	Kawela Plantation Homeowners Association	Replacement Distribution Line	553	200,000.00	SFY 2019
7	P-DW437-0002	Moloaa Irrigation Cooperative	Distribution System Improvements	47	2,500,000.00	Mar-19
8	P-DW248-0002	Kawela Plantation Homeowners Association	New Well Source	553	3,260,000.00	SFY 2019
9	P-DW248-0003	Kawela Plantation Homeowners Association	Smart Metering Including Billing Software	553	61,745.00	SFY 2019
10	P-DW248-0005	Kawela Plantation Homeowners Association	Energy Audit & Renewable Energy Study (New Source)	553	40,000.00	SFY 2019
11	P-DW437-0003	Moloaa Irrigation Cooperative	SCADA Relocation and Solar Power for Controls	47	100,000.00	SFY 2019
12	DW213-0018	Maui Department of Water Supply	Pookela Well #2 - Development	3,338	4,000,000.00	SFY 2019
13	DW213-0017	Maui Department of Water Supply	Pookela Well #2 - Exploratory	3,338	2,500,000.00	May-17
14	HBWS-PF19	Honolulu Board of Water Supply	Honolulu BWS Pro-Fi SFY 2019	984,178	8,000,000.00	SFY 2019
15	P-DW168-0001	Keopu Water Association	Station 2 Tank Replacement	250	50,000.00	SFY 2019
16	P-DW168-0002	Keopu Water Association	Station 3 Tank Replacement	250	50,000.00	SFY 2019
17	MDWS-0002	Maui Department of Water Supply	Maui DWS Water System Improvements 1	11,851	4,500,000.00	SFY 2018
18	P-DW437-0004	Moloaa Irrigation Cooperative	SCADA Controls	47	6,000.00	Jun-18
19	DW247-0007	Maui Department of Water Supply	Phase 10 Booster Pump Upgrades	3,338	7,000,000.00	SFY 2018
20	P-DW243-0001	Hana Water Systems LLC	Kaeleku Tank Replacement	160	1,000,000.00	Apr-19
21	DW215-0013	Maui Department of Water Supply	Omaopio Tank Booster Pump Replacement	8,513	2,000,000.00	Aug-17
22	P-DW303-0001	Kunia Village Title Holding Corp.	Kunia Village Water System Upgrades	650	1,035,000.00	Nov-18
23	DW331-0068	Honolulu Board of Water Supply	Energy Savings Performance Contracting (ESPC) - BWS Facilities	984,178	33,125,398.00	Sep-16
24	DW214-0014	Maui Department of Water Supply	West Maui Well Development	4,176	4,250,000.00	SFY 2019



## APPENDIX B - DWSRF PROJECT RATING CRITERIA

## APPENDIX B - DWSRF PROJECT RATING CRITERIA

### SUMMARY OF THE PROJECT PRIORITIZATION MODEL

Calibration Methodology – 300 total points, four sections

SECTION	% OF BASE POINTS	POINTS INCLUDED
<b>Drinking Water Quality &amp; Public Health</b>	40%	120 <sup>i</sup>
<b>Affordability</b>	33%	100
<b>Compliance and Enforcement</b>	17%	50
<b>Sustainability/Resiliency</b>	10%	30
<b>TOTAL</b>	<b>100%</b>	<b>300 possible</b>

### PRIORITY SCORING MODEL

SECTION I: DRINKING WATER QUALITY & PUBLIC HEALTH	120 POSSIBLE
Project addresses a documented waterborne disease outbreak associated with the system within the last 24 months	30
Project corrects or prevents violations of MCLs (primary standards) <sup>ii</sup> <ul style="list-style-type: none"> <li>• Nitrate, nitrite, TCR</li> <li>• Microorganisms (Giardia lamblia, Cryptosporidium, Legionella)</li> <li>• Disinfection byproducts (TTHMs, HAA5)</li> <li>• Other regulated contaminants</li> </ul>	25 15 10 5
*points are additive in this section	
Project corrects or prevents inadequate treatment techniques that are unable to satisfy the requirements for <ul style="list-style-type: none"> <li>• Surface water</li> <li>• GWUDI</li> <li>• Groundwater</li> <li>• Lead and Copper Rule</li> </ul>	15
Project corrects exceedances of secondary drinking water standards (aesthetics – color, smell, etc.)	5
Project will correct or prevent: <ul style="list-style-type: none"> <li>• Inadequate distribution due to system deterioration (e.g., experiencing multiple line breakages) or loss of supply</li> <li>• Inadequate distribution due to chronic low pressure</li> <li>• Inadequate storage (either through capacity or condition of tank)</li> </ul>	15 10 5

<b>SECTION II: AFFORDABILITY<sup>iii</sup></b>	<b>100 POSSIBLE</b>
Poverty level in project area <ul style="list-style-type: none"> <li>• &gt;20%</li> <li>• 15%- 91.99%</li> <li>• 10% - 14.99%</li> <li>• 5% -9.99%</li> <li>• &lt;5%</li> </ul>	40 30 20 10 0
User Fees (proposed annual average residential fees/area MHI) <sup>iv</sup> <ul style="list-style-type: none"> <li>• Rates are &gt;2.0% of service area’s MHI</li> <li>• Rates are between 1.5% and 2% of the service area’s MHI</li> <li>• Rates are between 1% and 1.49%of the service area’s MHI</li> <li>• Rates are between 0.5% and 0.99% of the service area’s MHI</li> <li>• Rates are &lt;0.5% of the service area’s MHI</li> </ul>	30 20 10 5 0
Unemployment in project area <ul style="list-style-type: none"> <li>• &gt;15%</li> <li>• Between 10% - 14.99%</li> <li>• Between 6% - 9.99%</li> <li>• Between 3% - 5.99%</li> <li>• &lt;3%</li> </ul>	30 20 10 5 0

<b>SECTION III: COMPLIANCE AND ENFORCEMENT</b>	<b>50 POSSIBLE</b>
Project addresses an enforcement action by DOH and the facility is currently in violation of SDWA limitations.	50
Project addresses a facility’s voluntary efforts to resolve a possible violation and will mitigate the issuance of an enforcement action.	25
System is currently meeting all requirements.	15

SECTION IV: SUSTAINABILITY AND RESILIENCY	30 POSSIBLE
<p>Project promotes sustainable utilities and/or communities through a utility management plan that:</p> <ul style="list-style-type: none"> <li>• Secures a replacement fund for the rehabilitation and replacement of aging and deteriorating infrastructure as needed</li> <li>• Provides sufficient revenues to meet O&amp;M and capital needs</li> <li>• Demonstrates that the facility has maintained licensed/certified operators, adequate staffing to properly operate and maintain the facility and will continue to do so</li> <li>• Incorporates a fix-it-first planning methodology</li> </ul> <p>*Points are additive in this section</p>	5 pts each
<p>Project addresses climate resiliency by incorporating one or more of the following:</p> <ul style="list-style-type: none"> <li>• Installation of physical barriers</li> <li>• Equipment hardening/waterproofing</li> <li>• Prevention of salt water damage</li> <li>• Water efficiency, conservation and/or reuse</li> <li>• Drought mitigation measures<sup>v</sup></li> <li>• Energy Efficiency/Neutrality</li> <li>• Emergency Response and Recovery Planning</li> </ul>	5
<p>Project incorporates wet weather management by implementing green infrastructure systems at utility structures and surrounding footprint</p>	5

**NOTES:**

<sup>i</sup> Violations of more than one contaminant are additive, which may result in significant exceedances of the total base points. This structure captures needs for repeat violations and provides indicators for both chronic and acute health hazards. This section is the most heavily weighted of the five sections included in the scoring model.

<sup>ii</sup> This accommodates repeat violations and provides indicators for both chronic and acute health hazards.

<sup>iii</sup> Affordability data sets are based on Census Tract data 2011-2015.

<sup>iv</sup> Average water bill for HBWS customer using 13,000 gpm is \$47.74 (accounting for cost of inflation) per <http://www.boardofwatersupply.com/cssweb/display.cfm?sid=2198>.

<sup>v</sup> Includes leak detection programs, conservation pricing, interconnections between utilities, drilling new wellheads, emergency water distribution, aquifer storage and recovery.

**APPENDIX C - FFY 2018 FEDERAL CAPITALIZATION GRANT PAYMENTS  
AND DISBURSEMENT SCHEDULE FOR FFYS 2019 AND 2020**

**APPENDIX C**  
**FFY 2018 FEDERAL CAPITALIZATION GRANT PAYMENTS AND**  
**DISBURSEMENT SCHEDULE FOR FFYs 2019 AND 2020**

FFY	Quarter	Application for EPA Loan Payments	Application for Set Asides Payments (including in-kind services)	Set Asides, In-Kind Services, and Fee Disbursements	DWSRF Loan Disbursements (including Cap Grant, State Match, & Repayments & Investment Interest) **
2019	1	\$0.00	\$531,062.50	\$772,150.75	\$6,044,689.00
2019	2	\$8,535,160.00	\$551,062.50	\$792,150.75	\$4,766,140.00
2019	3	\$0.00	\$531,062.50	\$772,150.75	\$2,885,440.00
2019	4	\$0.00	\$531,062.50	\$772,150.75	\$7,257,143.00
2020	1	\$0.00	\$106,897.50	\$260,172.50	\$6,967,754.00
2020	2	\$0.00	\$106,897.50	\$260,172.50	\$6,507,144.00
2020	3	\$0.00	\$106,897.50	\$260,172.50	\$6,507,143.00
2020	4	\$0.00	\$106,897.50	\$260,172.50	\$5,092,857.00
Sub Total		\$8,535,160.00	\$2,571,840.00	\$4,149,293.00	\$46,028,310.00
Totals		\$11,107,000.00		\$50,177,603.00	

\*\* from HIDW FOCUS Model\_2018-04-01.xlsm Quarterly CF Tab Row 45 = Total Disbursements to Borrowers ⇔ LGTS Tab Columns M & N = Actual and Proposed to Disburse

## HAWAII AUTHORITY REQUEST BY SET-ASIDE CODE

FFY	DATE	Amount	Description	Site Code
19Q1	October 1, 2018	\$ 98,750.00	1/5% Net Assets	DD
19Q1	October 1, 2018	\$ 24,767.50	2% SSTA	DE
19Q1	October 1, 2018	\$ 272,675.00	10% PWSS	DF
19Q1	October 1, 2018	\$ 134,870.00	15% Local	DG
19Q2	January 1, 2019	\$8,535,160.00	Loan Fund	DA
19Q2	January 1, 2019	\$ 98,750.00	1/5% Net Assets	DD
19Q2	January 1, 2019	\$ 44,767.50	2% SSTA	DE
19Q2	January 1, 2019	\$ 272,675.00	10% PWSS	DF
19Q2	January 1, 2019	\$ 134,870.00	15% Local	DG
19Q3	April 1, 2019	\$ 98,750.00	1/5% Net Assets	DD
19Q3	April 1, 2019	\$ 24,767.50	2% SSTA	DE
19Q3	April 1, 2019	\$ 272,675.00	10% PWSS	DF
19Q3	April 1, 2019	\$ 134,870.00	15% Local	DG
19Q4	July 1, 2019	\$ 98,750.00	1/5% Net Assets	DD
19Q4	July 1, 2019	\$ 24,767.50	2% SSTA	DE
19Q4	July 1, 2019	\$ 272,675.00	10% PWSS	DF
19Q4	July 1, 2019	\$ 134,870.00	15% Local	DG
20Q1	October 1, 2019	\$ 50,000.00	1/5% Net Assets	DD
20Q1	October 1, 2019	\$ 24,767.50	2% SSTA	DE
20Q1	October 1, 2019	\$ -	10% PWSS	DF
20Q1	October 1, 2019	\$ 32,130.00	15% Local	DG
20Q2	January 1, 2020	\$ 50,000.00	1/5% Net Assets	DD
20Q2	January 1, 2020	\$ 24,767.50	2% SSTA	DE
20Q2	January 1, 2020	\$ -	10% PWSS	DF
20Q2	January 1, 2020	\$ 32,130.00	15% Local	DG
20Q3	April 1, 2020	\$ 50,000.00	1/5% Net Assets	DD
20Q3	April 1, 2020	\$ 24,767.50	2% SSTA	DE
20Q3	April 1, 2020	\$ -	10% PWSS	DF
20Q3	April 1, 2020	\$ 32,130.00	15% Local	DG
20Q4	July 1, 2020	\$ 50,000.00	1/5% Net Assets	DD
20Q4	July 1, 2020	\$ 24,767.50	2% SSTA	DE
20Q4	July 1, 2020	\$ -	10% PWSS	DF
20Q4	July 1, 2020	\$ 32,130.00	15% Local	DG
	FFY 2018	\$ 10,679,410.00		
	FFY 2019	\$ 427,590.00		
		\$ 11,107,000.00	ok	

## APPENDIX D - NOTICE OF PUBLIC PARTICIPATION & INPUT



## APPENDIX D

### NOTICE OF PUBLIC PARTICIPATION & INPUT

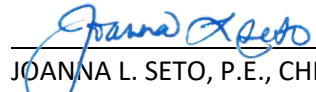
#### I. Public Notice Activity

Pursuant to 40 CFR 35.3150, a notice of public participation and input was published on the Department of Health's website (<http://health.hawaii.gov/sdwb/drinking-water-state-revolving-fund/>) on June 25, 2018 to consider the proposed *Drinking Water Treatment Revolving Fund Intended Use Plan (IUP) for The State of Hawaii Fiscal Year (SFY) 2019 and The Federal Fiscal Year (FFY) 2018 Appropriation*. The initial public comment period was established from May 1, 2018 to May 31, 2018. Amendments to the initial IUP were made and a second public comment period was established from June 25, 2018 to July 25, 2018. Amendments to the Final IUP were made and a third public comment period was established from April 12, 2019 to May 12, 2019.

Evidence of the publication of the public notice is on-file in the Safe Drinking Water Branch office at 2385 Waimano Home Road, Uluakupu Building 4, Pearl City, Hawaii 96782-1400.

#### II. Summary

The third solicitation of public participation and input for this Intended Use Plan did not produce responses which any required changes. These changes were not significant enough to warrant a new public participation and input period.

  
\_\_\_\_\_  
JOANNA L. SETO, P.E., CHIEF  
Safe Drinking Water Branch

**State of Hawaii**  
**Notice of Public Participation and Input on the Proposed**  
**Drinking Water Treatment Revolving Loan Fund (DWTRLF)**  
**Intended Use Plan (IUP) for the State of Hawaii Fiscal Year (SFY) 2018 and**  
**The Federal Fiscal Year (FFY) 2017 Appropriation**  
**(Docket No. 19-SDWB-SRF-01)**

Pursuant to Chapters 342 and 91, Hawaii Revised Statutes; Section 101(e) of Public Law 92-50; and the U.S. Environmental Protection Agency Regulations, 40 CFR 35.2015; notice is hereby given that a public comment period is being initiated to allow public participation and input on the Intended Use Plan for SFY 2019.

The U.S. Environmental Protection Agency provides grants to the State of Hawaii annually to construct drinking water facilities and support other drinking water program activities. During SFY 2019, approximately \$11,107,000.00 is expected to be allocated to the State of Hawaii. In order to utilize the federal and matching state revolving funds, proposed projects must be prioritized and listed in the *DWSRF Priority List of Projects for SFY 2019* (Appendix A of the Intended Use Plan).

Upon written request, a public hearing may be scheduled. Requests for a public hearing must be received by the Safe Drinking Water Branch by **May 12, 2019**. If a public hearing is deemed appropriate, a second public notice will be published with the date, time and location of the public hearing.

Information regarding the Intended Use Plan may be obtained by calling or writing to the Safe Drinking Water Branch Oahu address noted below. The **Amended** Intended Use Plan for SFY 2019 will be on file and available for review from **April 12, 2019 to May 12, 2019** at the locations listed below. If, due to disability, you have special needs for commenting on the proposed Intended Use Plan, please contact the Safe Drinking Water Branch Oahu address noted below or call 586-4258 (voice) by **May 12, 2019**.

**Oahu**

Safe Drinking Water Branch/Hawaii DOH  
Uluakupu Building 4  
2385 Waimano Home Road, Suite 110  
Pearl City, Hawaii 96782-1400  
Telephone: (808) 586-4258  
Contact: Joan Corrigan

**Kauai**

District Health Office  
Department of Health  
3040 Umi Street  
Lihue, Hawaii 96766  
Telephone: (808) 241-3323  
Contact: Gerald Takamura

**Maui**

District Health Office  
Department of Health  
54 High Street  
Wailuku, Hawaii 96793  
Telephone: (808) 984-8234  
Contact: Patricia Kitkowski

**East Hawaii**

Environmental Health Facility  
Department of Health  
1582 Kamehameha Avenue  
Hilo, Hawaii 96720  
Telephone: (808) 933-0401  
Contact: Eric Honda

**West Hawaii**

Department of Health  
Keakealani Building  
79-1020 Haukapila Street, Room  
110  
Kealahou, Hawaii 96750  
Telephone: (808) 322-1507  
Contact: Steven Okoji