

CLEAN WATER STATE REVOLVING FUND
Supplemental Intended Use Plan
Additional Supplemental Appropriations for Disaster
Relief Act, 2019

Florida Department of Environmental Protection
Division of Water Restoration Assistance



August 12, 2020



INTENDED USE PLAN
CLEAN WATER STATE REVOLVING FUND
Additional Supplemental Appropriations for Disaster Relief Act, 2019

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I. EXECUTIVE SUMMARY

On June 6, 2019, the President signed P.L. 116-20, the "Additional Supplemental Appropriations for Disaster Relief Act, 2019" (ASADRA), into law. For Florida, the funds are intended for wastewater treatment works and drinking water facilities impacted by Hurricane Michael. The Environmental Protection Agency (EPA) has allotted supplemental funding for the Florida Department of Environmental Protection's (FDEP) Clean Water State Revolving Fund (CWSRF) program, and the Florida legislature has appropriated the required match for the federal funds. This Supplemental Intended Use Plan (IUP) serves to explain how the ASADRA capitalization grant will be used within the CWSRF program.

For an activity to be eligible for ASADRA funds, it must be CWSRF or Drinking Water State Revolving Fund (DWSRF) eligible, the wastewater treatment works or drinking water facility must have been impacted by Hurricane Michael, and it must serve one or more of the following purposes:

- Facilitate preparation for, adaptation to, or recovery from rapid hydrologic change or any other type of natural disaster for a wastewater treatment works or drinking water system or related facility;
- Reduce the likelihood of physical damage to a treatment works or drinking water system;
- Reduce a treatment works' or water system's susceptibility to physical damage or ancillary impacts caused by floods, earthquakes, and fires; or
- Facilitate preparation for, adaptation to, or recovery from a sudden, unplanned change in the amount of and movement of water in proximity to a treatment works or water system.

ASADRA is additional funding above the traditional CWSRF program to promote resilience in disaster areas. To maximize efficiency, states are implementing ASADRA through their existing SRF programs. The priority system used by Florida will be identical to the traditional system, however, the interest rate on loans will be 0 percent for all borrowers and all loans will include 25 percent principal forgiveness.



II. PROJECT FUNDING

Florida's base ASADRA grant allocation for the CWSRF program is \$17,690,000. In addition, 33% of the DWSRF allocation can be transferred to the CWSRF. Florida intends to exercise this option. The DWSRF allocation is \$109,270,000 and 33% of that amount is \$36,059,100. Combined with the state match requirement of \$10,749,820, the total funds available from ASADRA for CWSRF projects is \$64,498,920.

For this supplemental appropriation, Florida expects to provide assistance to at least three communities for wastewater and stormwater infrastructure projects for a total of \$64,498,920.



The goal is to provide a per-sponsor funding limit \$29,000,000 to ensure multiple communities have access to these funds.

To maximize the financial benefit to the communities devastated by Hurricane Michael, the program is making all loans with 0 percent interest and 25 percent principal forgiveness. Because fiscal sustainability plans are now required in the Clean Water Act, these loans will include funding for the development of asset management plans upon request.

III. LONG- AND SHORT-TERM PROGRAM GOALS

A. The long-term goals are to:

1. Finance projects that will contribute to improved water quality in the area impacted by Hurricane Michael.
2. Maximize the effectiveness of these funds in providing more resilient systems by preparing them for future catastrophic storms, while minimizing the impact of such events.

B. The short-term goals are to:

1. Assure that CWSRF funds are used effectively for wastewater treatment and stormwater management projects, non-point source pollution management projects, and/or estuary conservation and management systems intended to resolve high priority public health and water quality concerns as well as other regulatory agency concerns.
2. Assure that all funds are expended in an expeditious and timely manner to projects that will provide the most environmental benefit or will increase resiliency in the coastal area.
3. Assure the fiscal, technical, and managerial integrity of the CWSRF program by preventing waste, fraud, and abuse. Projects will be inspected as necessary to make certain the project is constructed correctly and efficiently.

IV. ALLOCATION OF FUNDS

Criteria and Method for Distribution of Funds

Florida's Project Priority Ranking System incorporates Basin Management Action Plans (BMAPs) by giving projects listed in BMAPs the second highest priority score, behind projects that eliminate a public health risk. This change will target projects for funding by the CWSRF program that have been identified by the FDEP as necessary for a water body to achieve compliance. Projects that address compliance and enforcement issues will also have a high

priority. If projects receive identical priority scores, population served will be the tie breaker. The sponsor with the lower population served will be advanced ahead of the sponsor with a higher population served. Additionally, as stated above, there will be a segment cap, which is the maximum amount of



funds that any one project sponsor can receive, of \$29 million. This segment cap will ensure that no one project sponsor will receive all of the available funds.

V. FINANCIAL MANAGEMENT

A. Source of State Match

Florida's CWSRF ASADRA capitalization grant allocation of \$17,690,000 requires state matching funds of \$3,538,000 (20 percent). The Florida legislature appropriated funds for this purpose during the 2020 legislative session. Sufficient match was also appropriated for the DWSRF ASADRA capitalization grant, which is required for the transfer of 33 percent of the DWSRF capitalization grant to the CWSRF.

B. Service Fee Income

The CWSRF and DWSRF rule provides for a one-time service fee on each loan to cover program administrative costs. Assistance recipients are assessed a two percent service fee on all loans, typically paid in the first one or two repayments, but may be prepaid any time after the loan agreement has been executed. Service fees (including interest earned on the sub-account) will be collected and deposited into the G&D Administrative sub-account.

C. Anticipated Cash Draw Ratio

For these supplemental funds, Florida will draw the capitalization grant after the required state match has been deposited.

D. Estimated Sources and Uses

1. Sources of Funds

Florida plans to draw the full \$17,690,000 allotted for the CWSRF as well as transfer 33 percent of the funds allotted to the DWSRF over to the CWSRF. The total funds available through the CWSRF program are derived by adding this CWSRF capitalization grant of \$17,690,000, the associated state match of \$3,538,000, the transfer of 33 percent of the DWSRF capitalization grant of \$36,059,100, and that associated state match of \$7,211,820. Therefore, the total supplemental funds available for wastewater and stormwater infrastructure projects related to Hurricane Michael is \$64,498,920. Note that Florida has already funded over \$6.2 million in projects in the Hurricane Michael affected area through the traditional program. These funds were used to assist the local governments in meeting their short-term needs.

2. Uses of Funds

All supplemental funds will be used for hurricane recovery and resiliency projects.

E. Financial Management Strategies

Projects draw on their funding at different intervals based on the timing of the construction and the size of the project. The timing of draws is further affected by the segment cap, which limits the funds available to any one project sponsor during the fiscal year. Recipients of these loans will be allowed up to three years from the execution of the loan to draw the funds.

VI. PROGRAM MANAGEMENT

A. Assurances and Specific Proposals

The FDEP has provided the necessary assurance and certifications as part of the Operating Agreement (OA) between Florida and the EPA. The OA describes the mutual obligations between the EPA and the FDEP. The purpose of the OA is to provide a framework of procedures to be followed in the management and administration of the CWSRF. The OA has been revised and is currently being routed for signatures.

The OA addresses our commitment to key CWSRF requirements, including:

- 602(a) Environmental Reviews: The CWSRF will conduct environmental reviews according to the State Environmental Review Process developed for the CWSRF.

- 603(b)(3) Binding Commitments: The CWSRF will enter into binding commitments for 120 percent of each quarterly grant payment within one year of receipt of the payment.
- 602(b)(4) Expeditions and Timely Expenditures: The CWSRF will expend all funds in the CWSRF in a timely manner. Note that the OA is currently being revised to address changes to the CWSRF rule and the Clean Water Act.

B. Federal Requirements for Equivalency Projects

Many federal requirements apply in an amount equal to the capitalization grant. These requirements are:

- Single Audit Act (OMB A-133)
- Disadvantaged Business Enterprise (DBE) compliance
- Federal environmental crosscutters
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- Public Awareness Enhancement (Signage)

For the purposes of these ASADRA funds, all projects funded through this program will be required to meet the above.

In addition to meeting the above requirements, these projects must also certify compliance with the DBE requirements and must comply with the FFATA requirements for executive compensation reporting.

C. Federal Requirements for all Projects

The Water Resources Reform and Development Act added several requirements for CWSRF loan projects including:

- Davis-Bacon Wage Rates
- American Iron and Steel
- Fiscal Sustainability
- Cost and Effectiveness
- Architectural and Engineering (A/E) Procurement Requirements

Davis-Bacon and American Iron and Steel had been added in previous appropriations and these amendments have made these requirements permanent. The financing rate for all construction projects will be reduced by one percent to offset the additional costs that result from these requirements. The fiscal sustainability requirement had not previously been required, but will apply to all new construction loans in FY 2016. In addition, the CWSRF has entered into an agreement with the Florida Rural Water Association to develop asset management plans for very small systems to offset the additional cost of this requirement. For projects that do not have an asset management plan, the minimum requirements for a fiscal sustainability plan for the project being funded include:

- An inventory of critical assets that are part of the treatment works;
- An evaluation of the condition and performance of inventoried assets or asset groupings;
- A certification that the assistance recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and
- A plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities.

Florida's Consultants' Competitive Negotiation Act has been accepted as equivalent to the federal requirements for A/E procurement, so compliance with this act will be certified by the loan recipient.

D. Audits and Reporting

Florida is committed to providing the public full access to CWSRF documents. Documents relating to the administration of the CWSRF program are generally available to the public on the FDEP website or through the electronic document management system, OCULUS. The current IUP is posted on the [program's website](#). OCULUS can be accessed at the [OCULUS website](#). Once logged into OCULUS, documents relating to program administration can be found by navigating to "State Revolving Fund" under Catalog and "SRF File Cabinet" under Profile. Searches for specific documents can be further refined using the Drawer dropdown box. For

documents such as IUPs, Operating Agreements, and Capitalization Grants, choose “EPA Related” and the Folder dropdown will allow the user to choose these and several other administrative documents.

Basic project information has been entered into EPA’s Clean Water Benefits Reporting database for all projects to date. The database is updated as agreements are executed or amended and is reconciled with the program’s database monthly.

Independent audits are conducted annually by the FDEP Office of Inspector General and frequently by Florida’s Auditor General.

E. Procurement of Architectural and Engineering (A/E) Contracts

Chapter 287.055, Florida Statutes, mandates the requirements for the procurement of A/E services. This statute meets all of the requirements in 40 U.S.C. 1101 et. sq. for an equivalent state requirement. This statute can be found on the [Florida legislature's website](#).

VII. PUBLIC PARTICIPATION

Notice was published in the Florida Administrative Register on June 12, 2020, for a public participation workshop for the purpose of public review and comment on this revised FY 2020 IUP and for a public meeting for the purpose of developing the FY 2020 priority list. Both the workshop and public meeting are to be held on August 12, 2020, with the public meeting immediately following the workshop.

ATTACHMENT 1
SOURCE AND USE OF ASADRA FUNDS

SOURCE OF FUNDS

FEDERAL FUNDS	AMOUNT
ASADRA Capitalization	\$17,690,000
STATE FUNDS	AMOUNT
State Matching Funds for ASADRA Capitalization Grant	\$3,538,000
Transfer of 33% of DWSRF ASADRA Capitalization Grant	\$36,059,100
Transfer of 33% of DWSRF ASADRA match	\$7,211,820
<u>Total ASADRA Funds Available for CWSRF Projects</u>	<u>\$64,498,920</u>

USE OF FUNDS

<u>ASADRA Projects Obligated to Date</u>	<u>\$64,498,920</u>
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ATTACHMENT 2

PROJECT SUMMARY AND ADDITIONAL SUBSIDIZATION

SPONSOR	PROJECT DESCRIPTION	TOTAL LOAN	PRINCIPAL FORGIVENESS
Lynn Haven	Headworks and Master Lift Station Hardening	\$6,688,500	\$1,672,125
Panama City	System Wide Hardening	\$29,000,000	\$7,250,000
Bay County	Military Point WWTP Hardening	\$28,810,420	\$7,202,605
<u>Total</u>		<u>\$64,498,920</u>	<u>\$16,124,730</u>

Waiting List

SPONSOR	PROJECT DESCRIPTION	TOTAL LOAN
Panama City	System Wide Hardening	\$5,763,155
Bay County	Military Point WWTP Hardening	\$32,795,580

ATTACHMENT 3
PAYMENT SCHEDULE AND PROPORTIONATE SHARE OF CASH DRAWS

Allocation of Funds	Amount
ASADRA Capitalization Grant, including transfer	\$53,749,100

Payment Schedule

Amount	Quarter
\$53,749,100	4th Quarter of FFY 2021