

Testimony

Water Topics Overview Committee

Thursday, September 22, 2016

North Dakota Department of Health

Chairman Schmidt and members of the Water Topics Overview Committee, my name is David Glatt, Section Chief of the Environmental Health Section (EHS) for the North Dakota Department of Health. The EHS is responsible for implementing many of the environmental protection programs in the state including the federal and state Safe Drinking Water Act (SDWA). I am here today to discuss the EHS's involvement in assisting community water supply systems through compliance outreach and construction loan programs comply with state and federal regulations. Also with me today is David Bruschwein, Program Manager for the Drinking Water State Revolving Loan Fund.

The following identifies the actions of the Department as it relates to public water supply system oversight and funding opportunities.

- 1) The EHS has received regulatory primacy from the federal government to act as the lead agency responsible for the proper implementation of the SDWA in the state. Through the implementation of program activities which include compliance outreach, operator training, monitoring, inspection and enforcement programs the EHS, working in cooperation with Public Water Supply System owners, has consistently maintained over a 95 percent compliance rate with health based standards. In addition, the EHS maintains a Drinking Water State Revolving Loan Program designed to provide financial assistance for essential infrastructure improvements needed to maintain compliance with the complex requirements of the SDWA.
- 2) As noted the EHS assists public water supply systems in maintaining water source, storage, treatment and distribution systems by providing low interest loans and, in some cases, loan forgiveness. We routinely evaluate and prioritize drinking water project proposals, compliance with the SDWA and system affordability. Input from design engineers, financial institutions and the public water supply systems all go into determining the appropriate path forward and selection of the best alternative. An overview of the Drinking Water State Revolving Loan Program has been provided for your information (attached).
- 3) Over the years, the EHS has observed a trend where communities have moved toward participation in regionalized water treatment/distribution systems to meet their water supply needs. This trend has occurred for several reasons, which include communities seeking improved water quality and quantity, looking to limit their involvement with SDWA compliance requirements and/or to improve aging water infrastructure. The trend toward regionalization is noted in the following table:

Table 1

Regionalization

Systems are moving toward regionalization (numbers as of Sept 2016)

- 439 regulated systems (CWS, NTNC, TWS)
- 324 community water systems
- Of Community Water Systems
 - Includes
 - Municipalities
 - Rural Water Systems
 - Home Owner Associations
 - Private developments
 - Mobile home parks / Trailer courts
 - Hutterite communities
 - Growth of community water systems as consecutive users
 - 2001 – 36% systems purchased water
 - 2004 – 38% systems purchased water
 - 2009 – 50% systems purchased water
 - 2012 – 54% systems purchased water
 - 2016 – 60% systems purchase water

However, as this trend continues, there are some systems which have chosen not to connect to a regional system. There are several reasons a city may chose not to participate in a regional system, and they include a desire to maintain city independence, cost of rural water and not having a voice in containing monthly water charges and even water quality (i.e. chlorine smell). It is important to note that overall the Department supports the trend moving toward regionalized systems as a cost effective way to provide adequate supplies of safe drinking water to the public. But it is equally important to note that the Department respects the choices made by local governments as it relates to the provision of public services as long as they comply with the applicable regulations.

The EHS works with all public water supply systems to find the best drinking water solution for their community.

This concludes my testimony and we would be happy to answer any questions you may have relating to this matter.

Drinking Water State Revolving Loan Fund

David Bruschwein
Program Manager
March 7, 2016
Drinking Water State Revolving Loan Fund
North Dakota Department of Health



Agenda

- Drinking Water State Revolving Loans Fund (DWSRF) Background
- Funding Capability and Demand on DWSRF



Federal/EPA DWSRF Concept

- Program to help fund projects that provide a clean and safe supply of drinking water
- Below market interest rate
- Permanent pool of money for loans
- Payment of loans funds new projects



CWSRF

- Authorized under the 1987 amendments to the Clean Water Act
- Loan
 - 2.5% effective interest rate
 - Maximum 30 years repayment
 - 3.5% interest rate for systems that do not qualify for tax exempt status



DWSRF

- Authorized under the 1996 amendments to the Safe Drinking Water Act
- Loan
 - 2.5% interest rate
 - Base 20 years repayment, extended term to 30 years
 - 3.5% interest rate for systems that do not qualify for tax exempt status
- North Dakota Public Finance Authority is the financial agent for DWSRF loans



DWSRF Eligible Systems

- Community water systems (includes rural water systems)
- Non-profit non-community water systems



Projects Eligible for DWSRF Loans

- Address SDWA exceedances
- Prevent future SDWA exceedances
- Replace aging infrastructure
- Buy/finance existing debt obligations (refinance) projects started after July 1993



Projects/Costs Ineligible for DWSRF Loans

- Systems in significant noncompliance with the SDWA
- Projects primarily intended for fire protection
- Projects primarily intended to serve future growth
- Projects that lack adequate technical, managerial and financial capability
- Operations, maintenance, and monitoring costs



Sources and Uses of Funds

- Sources of funds
 - Capitalization grant
 - Repayments
 - State match
 - Transfer with CWSRF
 - Leveraging



Sources and Uses of Funds

- Uses of funds
 - Loan fund
 - DWSRF program administration
 - Set-asides
 - Transfer with CWSRF



Congressional Requirements

- Cross-Cutters
- American Iron and Steel
- Additional subsidization
- Davis-Bacon Wage Rates
- Transparency Act



Project Priority List

- Projects are solicited from all regulated municipalities and rural water systems each fall
- Voluntary participation
- Must be on list to receive DWSRF funding
- Listed projects tend to be place holders
- 2016 list, 219 projects for \$679 million
- Annual average, 11 loans for \$25 million



DWSRF Priority Ranking System

- 100 point system
 - Water Quality (max 35 points)
 - Water Quantity (max 25)
 - Affordability (max 15)
 - Infrastructure adequacy (max 15)
 - Consolidation/ regionalization of water supplies (max 10)
 - Operator Safety (max 10)



DWSRF Benefits and Limitations

- Benefits
 - Below market interest rate
 - Intended for safe drinking water
 - Minimal application as compared to some federal programs
 - Loan only for amount used
 - Often used as local match to other funding agencies



DWSRF Benefits and Limitations

- Limitations
 - Loan program
 - Cross-cutters/federal requirements
 - Project must be on priority list to be funded
 - Federal limitations on eligible projects
 - Future growth and fire protection are ineligible



Common DWSRF Partners

- Rural Development program through USDA
- Community Development Block Grants
- State Water Commission
- US Army Corps of Engineers



Program Capacity

- \$70,000,000 per year for 5 years (\$350,000,000) with over \$170,000,000 additional capacity still remaining
 - Based on:
 - 2014 outside evaluation
 - Used leveraging option and existing loan repayments
 - Assumed no additional federal funding
 - Considered a conservative estimate
 - Have not come close to using this loan capacity



Program Demand

- 194 loans for \$426 million since 1998
- Annual Average is 11 loans for \$25 million
- 2016 Priority List 219 projects for \$679 million
- Smallest loan - \$16,610 to Braddock
- Largest loan - \$66,352,000 to Fargo



Summary

- Program to help fund projects that provide a clean and safe supply of drinking water
- Below market rate loan
- Project Priority List (voluntary)
- Usually work with other funding agencies



Questions???



Contact Information

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