

State of Alabama
Alabama Department of Environmental Management
Clean Water State Revolving Fund Program



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CWSRF Intended Use Plan



Fiscal Year 2022

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I. Introduction:

As required by Title VI of the Clean Water Act, each year the Department must prepare an Intended Use Plan (IUP) identifying the projected uses of funds available in its Clean Water State Revolving Fund (CWSRF). This Intended Use Plan (IUP) serves as a basis for the development of the capitalization grant payment schedule.

The State of Alabama will receive an EPA Capitalization Grant of \$12,938,000 from EPA that will be used to provide low interest financial assistance for the CWSRF program. The 20% State matching fund requirement for the capitalization grant is \$2,587,600 and will be fulfilled by an overmatch of State Match Bonds issued in previous years' and a contribution from ADEM State Enforcement Action (see Projected Sources). The capitalization grant funds for the CWSRF and the 20% State matching funds will be distributed as outlined by this plan.

In accordance with the Clean Water Act (CWA) Amendments of 1987, the Department proposes the following plan for the intended use of the CWSRF funds for FY 2022 as required by Section 606(c) of the CWA.

II. Program Goals:

A. Short Term Goals:

1. To provide CWSRF assistance to the extent there are sufficient eligible project applications, not less than 10% of the CWSRF Capitalization Grant for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve.
2. To provide CWSRF loans with additional subsidization in the form of principal forgiveness for not less than 20% (\$2,587,600) of the CWSRF Capitalization Grant.
3. To implement the State's CWSRF in compliance with Title VI of the Clean Water Act and to ensure conformance with Federal crosscutting issues as required by the 1987 Clean Water Act amendments.
4. To ensure compliance with the "first use" requirements which require that CWSRF assistance be available to projects which are members of the National Municipal Policy (NMP) universe; projects which have legally enforceable compliance schedules.
5. To achieve statewide compliance with Federal and State water quality standards, particularly with the NMP as rapidly as possible.
6. To protect the public health and the environment and promote the completion of cost-effective wastewater treatment facilities.

B. Long Term Goals:

1. To maintain the CWSRF program and the fiscal integrity of the fund.
2. To provide a self-perpetuating source of financial assistance for the construction of public wastewater treatment and transport facilities needed to meet water quality standards and provide capacity for future growth.
3. To assure that all Municipal NMP facilities achieve compliance as soon as possible.
4. To assure that all municipal facilities achieve compliance with final effluent limits as soon as possible.

5. To assist in the maintenance of water quality standards wherever such standards are adversely affected by municipal wastewater point sources.
6. To meet public health and environmental needs of those communities with malfunctioning on-site treatment systems that are either identified as a health hazard by the State Health Department or that adversely affect water quality.

C. Program Changes

The Department has included the utilization of the Justice40 Mapping Tool, (click link for additional information: <https://screeningtool.geoplatform.gov>) to the Affordability Measure Guidelines for Alabama. Additional information on the additional subsidization and affordability criteria can be found in Attachment 4.

Build America, Buy America (BABA) will be implemented for this fiscal year and be required for certain projects funded through the Clean Water State Revolving Fund (CWSRF).

BABA will be implemented for this fiscal year and be required for certain projects funded through the Clean Water State Revolving Fund (CWSRF). BABA is considered a federal cross-cutting requirement that applies to SRF assistance equivalent to the federal capitalization grant (i.e., “equivalency” projects). EPA’s SRF regulations at 40 CFR 35.3145 and 35.3575 require states and recipients of SRF funds equivalent to the amount of the federal capitalization grant to comply with federal cross-cutting requirements. Section 70914 of the IIJA, which states when a Buy America preference applies, explains that “none of the funds made available for a Federal financial assistance program for infrastructure...may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.” Therefore, BABA only applies to projects funded in an amount equivalent to the federal capitalization grant.

III. Sources and Use of the Funds:

The Department is expected to fund FY 2022 projects using a combination of interest earnings on the Fund, repayments from direct loans and the EPA Capitalization Grant. Match for the EPA Grant will be fulfilled by overmatch of State Match Bonds issued in previous years. The estimated sources and uses of funds in the FY 2022 CWSRF program are as follows:

Sources:

2022 EPA CWSRF Cap Grant:	\$12,938,000
Direct Loan Repayments, Interest Earnings and Unobligated Funds:	\$43,301,548
State Match	\$2,587,600
	Total: \$58,827,148

Uses:

Project Assistance:	\$57,701,575
Administrative Costs:	\$1,125,573
	Total: \$58,827,148

Projects on the CWSRF Project List are ranked by their respective priority point rating and may be funded according to availability of funds. Projects that are not funded from the Project List may be funded in subsequent years.

The amount reserved for administrative costs is equal to 1/5 percent per year or the Total New Position (\$562,786,320) as of the most recent audited financial statements).

The rate of cash draws from the federal capitalization grant will be based on dollar-for-dollar draws of direct loan projects. Consistent with EPA policy, draws from the federal grant for these direct loan projects are required to be proportional to the disbursement of state match funds to borrowers for eligible project costs. The State intends to manage its disbursements to borrowers to insure that State funds are spent first in order to ensure that the proportionality requirement is met expeditiously. This technique is necessary to ensure that direct loan borrowers funded from federal capitalization grants are able to receive requisitioned funds in a timely manner. It should be noted that overmatch from previous years' programs will be used to match the grant in addition to the appropriation provided by the State Legislature.

IV. Water Resources Reform and Development Act

The Water Resources Reform and Development Act (WRRDA) was enacted on June 10, 2014 and brought several changes to the CWSRF program.

A. Fiscal Sustainability Plans

The Federal Water Pollution Control Act (FWPCA) Section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a Fiscal Sustainability Plan (FSP) or certify that it has developed and implemented an FSP. This provision applies to all loans for which the loan recipient submitted an application on or after October 1, 2014.

The Alabama CWSRF program provides all assistance by purchasing outstanding debt obligations (bonds) from the borrower, thus this requirement does not apply. The Alabama CWSRF program commonly refers to these bond purchase agreements as "loans", though they are not loans as defined by EPA.

B. Architectural and Engineering (A/E) Services Procurement

For any capitalization grant awarded after October 1, 2014, the State must ensure that all A/E contracts for projects identified as using funds directly from each year's capitalization grant (i.e. equivalency projects) comply with the elements of the procurement processes for A/E services as identified in 40 U.S.C. 1101 et seq., or an equivalent State requirement. The Alabama CWSRF requires its recipients to comply with the *September 30, 2014 Alabama CWSRF A/E Procurement Requirements* (See Attachment 3).

C. Cost and Effectiveness Certification

Section 602(b)(13) requires that CWSRF recipients certify that the recipient has studied the cost and effectiveness of the project and selected the project that maximizes the potential for efficient water use, reuse, recapture and conservation, and energy conservation. The Alabama CWSRF program is requiring each recipient of CWSRF funding to provide a certification in compliance with 602(b)(13). This certification can be found on page 14 of the CWSRF Loan Application (Form 339 M-2).

D. Additional Subsidy and Affordability

Additional subsidy in the form of principal forgiveness shall be made available in total of the required amount for the States 2022 Capitalization Grant Appropriation (\$2,587,600) or the cap set at 603(i)(3) of the Federal Water Pollution Control Act, whichever is less. Additional subsidy will be provided in rank order to projects as determined by the Affordability Measure for Alabama. In addition, additional subsidy would be provided to an eligible project that meets Section 603(i)(1)(B) Clean Water Act requirements at a greater than 50% project cost ratio. Each project may receive principal forgiveness until the maximum amount has been allocated. The Affordability Measure Guidelines for Alabama can be found on Attachment 4.

E. Extended Term Financing

Section 603(d)(1)(A) authorizes CWSRF loans to be made for a term not exceeding the lesser of 30 years or the useful life of the project. The total term financing shall not exceed 20 years or, under special circumstances, 30 years may be considered.

V. Project Selection and Methods of Distribution of Funds

A. Priority List

In order to be considered for CWSRF assistance, projects must be on or added to the Priority List and have a proposed project schedule that coincides with the availability of CWSRF funds. The CWSRF project list was developed by identifying the priority point rating for each proposed project. (See Attachment 5) The funding of such projects is also subject to the availability of funds.

B. Additional Subsidization:

Additional subsidy in the form of principal forgiveness shall be made available in total of the required amount of the 2022 Capitalization Grant Appropriation or the cap set at 603(i)(3) of the Federal Water Pollution Control Act, whichever is less. The attached project list attachment includes projects that may receive principal forgiveness based the subsidy criteria. The Department has authority to provide additional subsidization by the Code of Alabama Section 22-34-3(a).

C. Green Project Reserve:

The EPA capitalization grant requires that, to the extent there are sufficient eligible project applications, not less than 10% of funds provided by the 2022 Capitalization Grant for projects must be used for projects that address green infrastructure, water or energy efficiency, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve (GPR). The Department actively solicited for green infrastructure projects. This solicitation included a notice posted on the ADEM website as well as a notice sent to approximately 1,000 addresses on the Department's contact list including all incorporated towns and all county governments. The project fundable list identifies one project that has a component for GPR totaling \$24,000,000 (see Attachment 1).

D. Prevailing Wages

Davis-Bacon wage requirements apply for fiscal year 2022 and each fiscal year thereafter and the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) shall apply to the construction of treatment works carried out in whole or in part with assistance made available by the CWSRF as authorized by title VI of that Act (33 U.S.C. 1381 et seq.). The Department will include in all loan agreements and procurement contracts terms and conditions requiring compliance with this requirement.

E. Inadequate Allocations:

If the actual federal CWSRF allocations are less than anticipated by the Department in the development of the CWSRF priority list, the Department may find it necessary to reduce their commitments to projects on the priority list. The Department may take formal action to reduce the number of commitments in accordance with subparagraph 3) of this paragraph.

- 1). The Department may redistribute the CWSRF funds allocated to each project.
- 2). The Department may redistribute funds from lower priority projects to higher priority projects.
- 3). The Department may bypass projects on the priority list in accordance with Section H, below.

F. Unanticipated and Uncommitted Funds:

If unanticipated or uncommitted funds become available, the Department may take action to distribute them in accordance with subparagraphs 1-2 of this paragraph:

- 1). The Department may use the unanticipated or uncommitted funds to fund the highest priority project(s) from the priority list.
- 2). The Department may use the unanticipated or uncommitted funds to increase the amount of funds allocated to CWSRF fundable projects or to provide increased assistance to projects which have already received CWSRF assistance.

Additionally, supplemental loans may be made to previous recipients as needed to complete segmented projects or to cover unanticipated cost overruns.

G. Project Bypass/Reallotment:

The Department may bypass any project on the CWSRF priority list that is not, in the Department's opinion, making satisfactory progress in satisfying requirements for CWSRF assistance. Bypassed projects will be removed from the priority list. In determining whether or not a project is making satisfactory progress in satisfying the requirements for CWSRF assistance, the Department shall use the criteria contained in subparagraphs 1-6 of this paragraph. Funds released through project bypass will be considered as uncommitted and available for redistribution in accordance with this section.

- 1). Any project on the CWSRF Priority List may be bypassed if the applicant fails to submit a complete CWSRF application.
- 2). The Department may use individual project schedules developed by the Department to determine whether or not the project is making satisfactory progress during the fiscal year.
- 3). In order to comply with EPA certification restrictions related to equivalency requirements, it may be necessary to bypass projects which have not complied with Title II requirements and other federal authorities.
- 4). Any project on the CWSRF Priority List may be bypassed if the applicant fails to demonstrate the ability to repay the loan.
- 5). To maintain the fiscal integrity of a leveraged loan program or provide funds for new construction, the Department may choose to bypass projects which involve refinancing of existing debt.
- 6). Projects may be removed from the priority list at the request of the applicant or if the Department finds that the project is ineligible for CWSRF assistance.

VI. Certifications:

1. The Department certifies that this IUP will be subject to public review and comment with a public notice period of 30 days.
2. The Department certifies that all wastewater facility projects in this IUP are on the CWSRF Priority List.
3. The Department certifies that it will enter into binding commitments for 120% of each payment under the CWSRF capitalization grant within one (1) year after receipt of each payment.
4. The Department certifies that it will expend all funds in the CWSRF in an expeditious and timely manner.

5. The Department certifies that all wastewater facilities in the state are in compliance with enforceable requirements or are making progress toward meeting those requirements except as specifically noted in the IUP.
6. The Department certifies that all facilities funded by the CWSRF shall complete a NEPA-like environmental review process.
7. The Department certifies that it will comply with all requirements of the 1997 Operating Agreement with EPA.
8. The Department certifies that it will complete a Benefits Assessment worksheet for each loan agreement executed in order to comply with EPA environmental results reporting requirements.

VII. Program Income:

The Alabama Water Pollution Control Authority, with ADEM as its agent, assesses an annual fee based on outstanding loan principal. These fees vary based on the fiscal year to which the loan agreement was secured and are collected twice a year when the recipient initiates repayment of the loan. In accordance with *Guidance on Fees Charged by States to Recipients of Clean Water State Revolving Fund Program Assistance*, published October 20, 2005, fees collected from loans sourced from outstanding grants will be used for administration of the SRF fund only. All other fees will be used to provide fee income for the Department’s CWSRF Direct Loan Fund and assist in the implementation of the Department’s Water and Field Operations Divisions.

The Department expects to receive fees during FY 2022 as follows:

Total Program Income	Program Income Collected During Grant Period	Program Income Collected After Grant Period
\$5,209,876.45	\$0.00	\$5,209,876.45

VIII. Estimated CWSRF Capitalization Grant Payment Schedules:

A. Estimated Grant Draw Schedule

Fiscal Year	Month	Draw
2023	Oct	\$1,078,167
2023	Nov	\$1,078,167
2023	Dec	\$1,078,167
2023	Jan	\$1,078,167
2023	Feb	\$1,078,167
2023	Mar	\$1,078,167
2023	Apr	\$1,078,167
2023	May	\$1,078,167
2023	Jun	\$1,078,167
2023	Jul	\$1,078,167
2023	Aug	\$1,078,167
2023	Sep	\$1,078,167
Total		\$12,938,000

B. Estimated Grant Disbursal Schedule

Payment Quarter	Payment Date	Payment Amount
FY2023/Quarter 1	10/1/2022	\$12,938,000

Payments are defined as increases to the amount of funds available from the federal SRF capitalization grant. This draft payment schedule is based on the State's projection of binding commitments and disbursements from the SRF to the members of the SRF project list. The disbursement schedule will essentially coincide with the grant payment schedule as ACH draw requests will be processed only upon submittal of payment requests from loan recipients for actual costs incurred. Funds from the ACH will be disbursed to the recipient immediately. The disbursement of funds will be in proportion to the amount of state and federal funds provided by the grant and state match. This will be ensured by disbursing all state match funds prior to drawing capitalization grant funds for project disbursements.

C. Capitalization Grant Budget Periods:

2022 EPA CWSRF Capitalization Grant

October 1, 2022 through September 30, 2026

ATTACHMENT 1

Attachment 1 - Project Priority List

County	Applicant Name	NPDES Permit Number(s)	Priority Point Rank	Assistance Amount	Subsidization Amount (Principal Forgiveness)	Unfunded/Match Portion	Estimated Construction Start Date	*GPR Component Cost	*GPR Type	*GPR Project	Disadvantaged Criteria	Appropriation Fund Being Used
Cullman	Cullman, City of (Supplemental)	AL0050423	SUPP	\$3,850,000.00	\$0	\$1,150,000.00	N/A	N/A	N/A	N	N	CWSRF/ARPA
Mobile	*Mobile, AL (MAWSS), Board of Water and Sewer Commissioners of the City of (Supplemental)	AL0023094 & AL0023086	SUPP	\$37,925,000.00	\$1,087,600.00	\$3,075,000.00	1/1/2026	\$3,792,500.00	WEE, GI	Y	Y	CWSRF/ARPA
Tuscaloosa	Tuscaloosa, City of (Supplemental)	AL0022713	SUPP	\$7,605,000.00	\$0	\$1,250,000.00	N/A	N/A	N/A	N	N	CWSRF/ARPA
Pickens	Reform, City of	AL0020915	100	\$1,500,000.00	\$1,500,000.00	\$0.00	1/1/2023	N/A	N/A	N	Y	CWSRF
Tallapoosa	Alexander City, City of	AL0048861	100	\$6,821,575.00	\$0	\$1,500,000.00	9/1/2022	N/A	N/A	N	N	CWSRF/ARPA

*denotes equivalency projects

Totals: \$57,701,575.00 \$2,587,600.00 \$5,475,000.00 \$3,792,500.00

WEE= Water & Energy Efficiency
GI= Green Infrastructure

20% min PF of Total Cap	\$2,587,600
40% max PF of Total Cap	\$5,175,200
Total Cap	12,938,000

ATTACHMENT 2

CS010260-14 City of Cullman - Cullman Sanitary Sewer Improvements and Rehabilitation (2022 Supplemental)

Project Description: The City of Cullman proposes a project to improve and rehabilitate several mini basins that have been identified to be major contributors of rain-dependent inflow and infiltration. The project is part of a four-year capital improvement plan that will include replacement of 18-inch Derby Creek vitrified clay trunk sewer, rehabilitation of remaining aerial sewers, manhole replacement and rehabilitation, lateral service connections and lining and point repairs. Completion of these improvements will allow The City of Cullman to maintain regulatory compliance by significantly reducing sanitary sewer overflows (SSO) due to high volumes of inflow/infiltration (I/I) with heavy rainfall events.

CS010281-22 Board of Water and Sewer Commissioners of the City of Mobile, AL (MAWSS) Master Plan SRF Wastewater Projects Phase I - Years 2019-2023 (2022 Supplemental)

Project Description: The Mobile Board of Water and Sewer Commissioners (MAWSS) (CS010281-19) proposes implementation of Mobile's CWSRF Master Plan Phase I (Years 2019-2023) to include: replacement of dewatering system and construction of new chlorine building at Williams WWTP; addition to Eslava Creek Severe Weather Attenuation Tank (SWAT) storage and conveyance; installation of Williams WWTP to Eslava Creek parallel sewer main; slip-lining of Pre-stressed Concrete Cylinder Pipe (PCCP) Halls Mill Connection to South Broad Street and from South Broad Street to Williams WWTP; refurbishment of existing Three-Mile Creek SWAT Tank; replacement of Headworks, renovations to Maintenance Building, replacement of Digester Dome, and additional access driveway at Smith WWTP; and Lift Station SCADA Programming. Proposed improvements will insure continued compliance with existing regulations and demands and provide increased efficiency and dependability to the Board's overall wastewater collection and treatment system.

CS010290-22 City of Tuscaloosa - Tuscaloosa Sanitary Sewer Improvements (2022 Supplemental)

Project Description: The City of Tuscaloosa has proposed to repair existing Lift Stations 10 and 11 in order to reduce Sanitary Sewer Overflows (SSOs) during rain events. An equalization basin may be constructed for this project. The City also proposes to build an equalization basin for Lift Station 21 to reduce SSOs during rain events. Alternate projects to repair Air Release Valves (ARVs) along the Mercedes Sewer Force Main, upgrades to Lift Station 3, and repairs to the 39th Street sewer lines. Completion of these projects will result in fewer SSOs and an improvement in compliance.

CS010849-02 City of Reform – Reform New Lift Station and Repair

Project Description: The City of Reform proposes a project that involves cleaning and derooting sewer lines that have been infiltrated with heavy amounts of silt and debris. The focus of the project will be on manhole repairs, elevating manholes, new lines, plugging lines, and making point repairs. The project will also include rehab of various lift stations. The project will fix I/I problems and help the system to be more efficient.

CS010329-05 City of Alexander City – Alex City Multi-Agency Wastewater Solution Project

Project Description: The City of Alexander City proposes a project to design and construct adequate wastewater assets to provide service to existing customers located along Alabama State Route 63. The project will allow the system to operate within compliance standards and provide better wastewater service to customers. The project will also protect the Tallapoosa watershed by providing a better discharge quality from the lagoon.

ATTACHMENT 3

Alabama CWSRF A/E Procurement Requirements

Effective September 30, 2014 for all assistance agreements directly made available from the FY 15 (and later) capitalization grant.

It is the intent of the Alabama Clean Water SRF program that all assistance recipients select architectural & engineering services based on qualifications of the selected firm, not price. This reinforces Canon IV of the Board of Engineers and Land Surveyors' Code of Ethics, contained in the Board's regulations at 330-X-14-.05 (f):

The engineer or land surveyor shall not participate in or implement procurement practices (bid submittals) which do not first determine the qualifications of the engineer or land surveyor prior to entering into fee negotiations for services being sought. An engineer or land surveyor having submitted a statement of qualification and performance data, and having first been judged as the qualified individual or firm to provide the services required for the proposed project, may proceed to negotiate a contract with a client and establish compensation or fees for the required services.

Should the engineer or land surveyor be unable to negotiate a satisfactory contract with the client for any reason, the engineer or land surveyor shall withdraw from further consideration for the engineering or land surveying services. Another engineer or land surveyor may then be selected for negotiations of a contract for the services on the stated project.

Examples include but are not limited to, simultaneous negotiations or solicitation of fee proposals by the client from two or more engineers or land surveyors constitutes "bidding" and participation by a licensee is prohibited.

Use of a qualifications-based selection is also required by the Alabama Board for Registration of Architects, at 100-X-5-.10:

Architects are encouraged to seek professional employment on the basis of qualifications and competence for proper accomplishment of the work. This procedure restricts the architect from submitting a price for services until the prospective client has selected, on the basis of qualifications and competence, one architect or firm for negotiations.

CWSRF assistance applicants are required to certify the following:

1. That the applicant sought the most-qualified firm for professional services, by issuing a Request for Proposals (RFP) or a Request for Qualifications (RFQ).
2. That the applicant made a good faith effort to seek proposals or qualifications from at least 3 firms, as evidenced by a public notice, advertisement, or other appropriate means.
3. That the applicant evaluated the proposals or qualifications and selected a firm based on professional competency, past performance, specialized experience, and other factors deemed critical for success of the project.

4. That only upon making a selection based on qualifications did the applicant negotiate a contract and determine compensation. (If the applicant was unable to negotiate a contract with the most qualified firm, the applicant may then negotiate with the next-most-qualified firm)

ATTACHMENT 4

Alabama Clean Water State Revolving Fund
Additional Subsidization and Affordability Criteria

Effective September 30, 2015

Purpose:

This document establishes the additional subsidization and affordability criteria for the Alabama Clean Water State Revolving Fund. The criteria is effective September 30, 2015, and may be modified from time-to-time upon notice.

Background:

Section 603(i) of the Federal Water Pollution Control Act states the following:

Additional Subsidization-

(1) IN GENERAL- In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans--

(A) to benefit a municipality that--

*(i) meets the affordability criteria of the State established under paragraph (2);
or*

(ii) does not meet the affordability criteria of the State if the recipient--

(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

(II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and

(III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate system (or other appropriate method) to such ratepayers; or

(B) to implement a process, material, technique, or technology--

(i) to address water-efficiency goals;

(ii) to address energy-efficiency goals;

(iii) to mitigate stormwater runoff; or

(iv) to encourage sustainable project planning, design, and construction.

(2) AFFORDABILITY CRITERIA-

(A) ESTABLISHMENT-

(i) IN GENERAL- Not later than September 30, 2015, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under subsection (c)(1) if additional subsidization is not provided.

(ii) CONTENTS- The criteria under clause (i) shall be based on income and unemployment data, population trends, and other data determined relevant by the State, including whether the project or activity is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).

(B) EXISTING CRITERIA- If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A)--

(i) the State may use the criteria for the purposes of this subsection; and

(ii) those criteria shall be treated as affordability criteria established under this paragraph.

(C) INFORMATION TO ASSIST STATES- The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).

(3) LIMITATIONS-

(A) IN GENERAL- A State may provide additional subsidization in a fiscal year under this subsection only if the total amount appropriated for making capitalization grants to all States under this title for the fiscal year exceeds \$1,000,000,000.

(B) ADDITIONAL LIMITATION-

(i) GENERAL RULE- Subject to clause (ii), a State may use not more than 30 percent of the total amount received by the State in capitalization grants under this title for a fiscal year for providing additional subsidization under this subsection.

(ii) EXCEPTION- If, in a fiscal year, the amount appropriated for making capitalization grants to all States under this title exceeds \$1,000,000,000 by a percentage that is less than 30 percent, clause (i) shall be applied by substituting that percentage for 30 percent.

(C) APPLICABILITY- The authority of a State to provide additional subsidization under this subsection shall apply to amounts received by the State in capitalization grants under this title for fiscal years beginning after September 30, 2014.

(D) CONSIDERATION- If the State provides additional subsidization to a municipality or intermunicipal, interstate, or State agency under this subsection that meets the criteria under paragraph (1)(A), the State shall take the criteria set forth in section 602(b)(5) into consideration.

Discussion:

On June 10, 2014, the Water Resources Reform and Development Act of 2014 was signed into law. Among the provisions of the Act is the new Section 603(i), which details how a state Clean Water State Revolving Fund (CWSRF) program may provide additional subsidization. It also requires that each program establish an affordability requirement that can be a consideration in granting additional subsidization.

The American Recovery and Reinvestment Act of 2009 was the first time that Congress applied the principle of principal forgiveness to the CWSRF. In response, the Alabama CWSRF program utilized additional subsidization in the form of principal forgiveness as way to construct green infrastructure. In Alabama, green infrastructure (stormwater) projects are constructed very infrequently, even though stormwater runoff is a major source of pollutants. Many local communities lack a dedicated revenue stream to pay for stormwater projects; thus, the CWSRF program has applied principal forgiveness to these projects in order for them to be economically viable. It is hoped that in time, the success of these projects will encourage the construction of more improvements without the need for additional subsidy. The Alabama CWSRF intends to continue this practice to ensure nonpoint source projects are constructed along with the traditional point source projects.

In previous years, the amount of additional subsidization was set by Congress through the annual appropriations process. The amount available varied from year to year and may have been subject to a minimum or maximum. Under the new 603(i)(3), a state may provide up to a maximum of 30% of its capitalization grant if the total appropriations equal or exceed \$1.3 billion. The project priority list will be used to determine which projects are provided principal forgiveness. The highest ranking green infrastructure project will receive principal forgiveness in order to continue to incentivize green projects. Additionally, principal forgiveness will be allocated based on the projects which have the highest priority rankings until all additional subsidization has been allocated. The amount of principal forgiveness allocated to each project will be determined by a number of factors. These include affordability, need (priority ranking), and type of project (resolving compliance, etc.).

603(i)(2) also requires state CWSRF programs to establish affordability criteria. The criteria *“shall be based on income and unemployment data, population trends, and other data determined relevant by the State”*. Traditionally, affordability has been determined by the CWSRF through a comparison of median household income and annual sewer use charges. The new requirements take a broader approach, focusing more on income and employment of the affected population. In response, the Alabama CWSRF program will utilize the county poverty rate (a measure that compares household income to the number of persons in the household), county unemployment rate, and statewide population trend to determine if a project is affordable. In addition to these measures, the Department also performs a financial analysis to determine a community’s coverage ratio (the ratio of revenue to debt), a financial sustainability to determine how much of a typical SRF loan a community can afford and utilization of the Justice40 Mapping Tool to verify disadvantaged communities within large service areas.

Final Criteria for Additional Subsidy and Affordability:

Additional subsidy in the form of principal forgiveness shall be made available in a total amount per year not to exceed the cap set at 603(i)(3). Funding will be provided in rank order on the project priority list, until the maximum amount has been allocated.

The Affordability Measure for Alabama will be calculated as the sum of the following:

1. The poverty rate of the county served by the project minus the statewide poverty rate;

2. Unemployment Rate Value: The unemployment rate of the county minus the statewide unemployment rate; and
3. If the statewide population trend has increased over the two most recent 10-year census estimates, the population trend value shall be 1; if it has decreased the population value shall be 2.
4. Utilization of the Justice40 Mapping Tool

ATTACHMENT 5



Form 340: Clean Water State Revolving Fund Preapplication

Project Name	
Assistance Amount Requested	\$
Date Submitted	



Submit Complete Preapplication to:	
Preferred method By email:	srf@adem.alabama.gov
By overnight mail:	1400 Coliseum Boulevard Montgomery, Alabama 36110-2400 (334) 271-7714
By mail:	SRF Section Alabama Department of Environmental Management Post Office Box 301463 Montgomery, Alabama 36130-1463

Section 1: Contact Information

Loan Applicant

Applicant Name			
Authorized Representative <small>(Signatory of Loan Agreement)</small>		Title of Authorized Representative	
Email Address		Telephone Number	
Contact Person <small>(Daily SRF Communications)</small>		Title of Contact Person	
Email Address		Telephone Number	
Physical Address		Mailing Address	
County		DUNS Number	
Fax Number		PWSID Number	
AL House District(s)		AL Senate District(s)	
NPDES Permit Number of Facility (if applicable)		Population of System	
Names and 12-digit HUC Codes of Watersheds Impacted			

Project Engineer:

Firm Name	
Address	
City, State, Zip code	
Engineer Name	
Telephone Number	
Email Address	
Fax Number	

Section 2: Project Information

For the following questions, please attach additional pages if adequate space is not provided on this form:

1. List all other funding sources to be utilized to complete this project.

Other Funding Source(s)	Amount(s)	Commitment Date

2. Provide demographic information about the affected community

Community is defined as the township or county that best represents the system. Please identify what community is being used.

Median Household Income		Source/Date:	
Unemployment Rate		Source/Date:	
Population Trend Over 10 Years (+%)		Source/Date:	
Community			

Priority Ranking System

The following factors are used to rank the proposed project, and will ultimately determine if it falls in the fundable portion of the priority list. The applicant must provide documentation where required in order to receive credit.

*Any ranking criteria that cannot be verified through supporting documentation by the Department will be awarded zero points.

A. Enforcement and Compliance Rating Criteria (Maximum: 50 points) *

	Ranking Criteria	Point Value
1	Facility is under formal enforcement action by ADEM and is currently in significant non-compliance. The project will bring the facility into compliance. (A copy of the enforcement order must be attached)	50
2	Project is a voluntary effort to resolve violations and will mitigate the issuance of a formal enforcement action.	40
3	The facility is currently in compliance with permit limits, but will fall out of compliance without the proposed project.	25

B. Water Quality Improvement Criteria (Maximum: 135 points) *

Ranking Criteria		Point Value
1	Project will significantly address water quality standards in a water body that: a) Has an approved TMDL b) Is subject to a draft TMDL, dated 0-2 years from present c) Is subject to a draft TMDL, dated 3-5 years from present d) Is subject to a draft TMDL, dated 6-10 years from present	25 15 10 5
2	Project will implement TMDL(s) for: a) Pathogens (i.e., fecal coliform/E. coli) b) Mercury c) Nutrients (i.e., phosphorous, nitrogen) d) Organic Enrichment/Dissolved Oxygen e) Ammonia (toxicity) f) Siltation (sediment)	5 15 10 5 5 15
3	a) Project will benefit a Category 5 or Category 4 listed water body. a) Project takes place in an EPA-identified priority watershed and reduces/eliminates one or more sources of impairments (point and nonpoint source). b) Project will improve water quality in an Outstanding Alabama Water (OAW). c) Project will improve water quality in an Outstanding National Resource Water (ONRW).	5 5 5 5
4	Project will upgrade or replace existing failing or inadequate decentralized wastewater treatment systems, or construct septage treatment facilities that are crucial to the proper operation of decentralized wastewater treatment systems.	10
5	Project will protect a public drinking water source from contamination that will negatively impact public health.	15
6	Project will implement a National Estuary Program Comprehensive Conservation Management Plan	10

C. Water/Energy Efficiency Rating (Maximum: 65 points) *

Ranking Criteria		Point Value
1	Project incorporates energy efficient design considerations with established objectives and targets for energy reduction opportunities, performed energy audits or developed energy conservation plans.	5
2	Project uses renewable energy to provide power to a POTW.	10
3	Project implements upgrades to pumps and treatment processes which result in: a) 20 percent or greater reduction in energy consumption at a POTW. b) Less than a 20 percent reduction in energy consumption at a POTW.	10 5
4	Infiltration/Inflow correction projects that save energy from pumping and result in reduced treatment costs, and I/I projects in cases where excessive groundwater infiltration is contaminating the influent.	10
5	Projects that incorporate recycling and/or reuse of gray water or wastewater.	20
6	Production of treated effluent for groundwater recharge, industrial operations, or agricultural purposes.	5

D. Stormwater Management Criteria (Maximum: 50 points)

Ranking Criteria		Point Value
1	Project will implement stormwater harvesting and reuse.	10
2	Project incorporates wet weather management systems including: permeable pavement, bioretention, tree plantings, green roofs, rain gardens and other practices that can be designed to mimic natural hydrology and reduce effective imperviousness.	10
3	Project will create riparian buffers, floodplains, vegetated buffers and additional streambank restoration methods.	10
4	Project supports wetland protection or restoration, including constructed wetlands.	10
5	Downspout disconnection to remove stormwater from sanitary sewers and manage runoff onsite.	5
6	Project incorporates green streets for new development, redevelopment or retrofits.	5

E. Agricultural and Nonpoint Source Pollution Criteria (Maximum: 35 points)

Ranking Criteria		Point Value
1	Project addresses water quality impacts associated with farming operations by: <ul style="list-style-type: none"> a) Implementing water-saving irrigation systems in farms currently using inefficient watering systems. b) Implementing methods to reduce soil and stream bank erosion. c) Utilizing BMPs including no-till farming practices, rotational grazing, cropland conversion and winter cover crops. d) Utilizing alternative watering sources including effluent or grey water reuse. 	5 10 10 10
2	Project addresses water quality impacts associated with animal feeding operations by: <ul style="list-style-type: none"> a) Developing a Nutrient Management Plan. b) Establishing heavy –use protection areas. c) Implementing onsite waste management systems for manure and poultry litter; including recycling, spreading, and storage systems, and digester gas technologies. d) Utilizing dead bird composters and/or incinerators. e) Implementing BMPs (including exclusion fencing and stream crossings). 	10 5 10 5 5

F. Sustainability Criteria (90 possible bonus points) *

Ranking Criteria		Point Value
1	Project incorporates one or more of the following planning methodologies: <ul style="list-style-type: none"> a) Comprehensive Land Use Plan (must designate areas where public infrastructure will and will not be supported) b) Asset Management Plan c) Watershed Management Plan d) Nutrient Management Plan e) Nutrient Trading f) Open Space Preservation g) Integrated Water Resource Plan that stresses water efficiency, reuse and conservation 	5 10 5 5 5 5 5
2	Project includes one or several of the following design considerations: <ul style="list-style-type: none"> a) Site fingerprinting for minimized landscape disturbance and sustainable landscape design. b) LEED certified or other ADEM-approved green building techniques for POTWs. c) Minimizes the environmental and water quality impact of construction through the use of clean fuel construction vehicles, construction waste reduction and other innovative methodologies. d) Project envelope is located in a previously developed area. e) Use of environmentally friendly post-consumer recycled or reclaimed materials. 	5 5 5 5 5
3	Project implements at least one of the following construction methods: <ul style="list-style-type: none"> • Innovative erosion control practices; • Protection of onsite trees, vegetation, native habitats and urban forests; or • Replanting of disturbed areas with native plant species. 	5
4	Project will utilize one or more of the following water conservation strategies: <ul style="list-style-type: none"> a) Development of a water conservation program. b) Incorporates sustainable water pricing practices and rate structures. c) Completion of EPA’s Water Quality Scorecard (see http://www.epa.gov/smartgrowth/water_scorecard.htm). 	5 10 5

G. Growth Criteria (50 possible bonus points)

Ranking Criteria		Point Value
1	Project includes a significant growth component. (See PER instructions)	0
2	Project does not include a significant growth component. (See PER instructions)	50

Sum the points from each category below.

Part A: Enforcement and Compliance (50 points maximum)	
Part B: Water Quality (135 points maximum)	
Part C: Water/Energy Efficiency (65 points maximum)	
Part D: Stormwater Management (50 points maximum)	
Part E: Agricultural/Non-Point Source (35 points maximum)	
Part F: Sustainability (90 bonus points maximum)	
Part G: Growth (50 bonus points maximum)	
TOTAL POINTS CLAIMED:	

This form should be signed by the official who is authorized to execute contracts on behalf of the applicant jurisdiction.

ONE SIGNED COPY (including attachments) should be emailed to the address shown on Page 1 of this form.

Attachments to be included with this form:

1. **Preliminary Engineering Report (PER Outline PER Format Below (Preferred))**
2. **Copies of last three (3) years of audited financial statements (if available)**

Preliminary Engineering Report Outline:

1. **Description of Project**
 - a. Brief description and background of project
 - b. Purpose of project
 - c. Location of project
 - d. Project Scope
 - e. Average annual household water bill
 - f. Population and median household income
2. **Proposed Improvements**
 - a. System connections and connections that benefit from construction
 - b. System plan for water conservation
 - c. Proposed operation and management
 - d. Improvements to system
3. **Project Maps**
 - a. Include all affected water bodies
4. **Projected Outlay Schedule**
5. **Cost Breakdown**
 - a. Estimated cost outline for entire project
6. **Supporting Documentation*** for priority points claimed, as required above. Any points claimed that cannot be readily substantiated from the information submitted will not be counted. The Department reserves the right to make the final determination of all points awarded.
7. **Growth Criteria:** If the project includes any of the following components, enter a point value of 0:
 - a. New (not a replacement) wastewater treatment plant (excluding decentralized systems).
 - b. Upgraded/expanded/replacement wastewater treatment plant where the purpose of the project is to increase the design flow or projects where the design flow of the facility incidentally increases by more than 20%.
 - c. Collection system improvements that increase design flow (excluding rehabilitation projects where the original design flow is restored).
 - d. New or expanded collection systems.
 - e. Any POTW project that serves future growth.

If none of the criteria above apply, the project will be awarded points as shown.

The undersigned representative of the applicant certifies that the information in the application and in the attached statements and exhibits is true, correct and complete to the best of the applicant's knowledge, information and belief.

Signature of Authorized Representative	Print or Type Name
Title	Date