



2020 SRF WORKSHOP

LOAN PROCESS OVERVIEW



STATE REVOLVING FUND PROGRAMS



- Clean Water State Revolving Fund (CWSRF)
 - Clean Water Act (1989)



- Drinking Water State Revolving Fund (DWSRF)
 - Safe Drinking Water Act (1999)

PROGRAM DETAILS

- 20-Year Fixed Rate Loan
- Low Interest Rate – 2.2% for 2020
- Minimal Closing Fee
- Principal Forgiveness
- Disadvantaged Business Enterprise Solicitation
- Davis-Bacon Wage Rates
- American-Iron and Steel
- Audited Financial Statements

PAST, PRESENT, & FUTURE – BY THE NUMBERS

- Nationwide Lifetime Contribution
 - CWSRF (1988) - \$130 Billion
 - DWSRF (1998) - \$23 Billion
- 2020 Contributions
 - CWSRF (2020) - \$1.64 Billion, \$17.8 Million
 - DWSRF (2018) - \$1.11 Billion, \$23.7 Million
- Alabama Program Totals
 - CWSRF (1988) - \$1.4 Billion
 - DWSRF (1998) - \$621 Million
- Alabama Program Averages
 - CWSRF - \$45 Million
 - DWSRF - \$29 Million

PAST, PRESENT, & FUTURE – BY THE NUMBERS

- 2020 Demand
 - CWSRF - \$99 Million
 - DWSRF - \$104 Million
- Population Served
 - CWSRF - Approx. 500,000
 - DWSRF - Approx. 600,000
- Infrastructure Planned
 - Drinking WTP Upgrades – \$58 Million
 - Drinking Water Source Rehab - \$34 Million
 - Energy Efficient Upgrades - \$18 Million
 - WWTP Upgrades - \$44 Million
 - Wastewater Collection System - \$46 Million
 - Stormwater/Water Conservation - \$3 Million

LOAN PROCESS

- Loan Approval Process
 - Submit Full Application Package – Electronically Preferred
 - Demonstrate readiness to proceed
 - Demonstrate credit worthiness
 - Clear environmental review process

LOAN PROCESS - APPLICATION

- Full Application – Within 60 Days of Receiving Fundability Letter
 - Submittal Schedule
 - Application Form – Form 339 (CWSRF) or Form 369 (DWSRF)
 - Environmental Information Document (EID)
 - Audited Financial Statements
 - Plans and Specifications
 - Engineering Consultant Contract
 - Outlay Schedule

LOAN PROCESS – APPLICATION

- Environmental Information Document (EID)
 - Concurrence Letters (USFWS, COE, AHC, and RPC)
 - Project Maps
 - Alternatives – four project alternatives required including “no action”
 - Environmental Justice – Minority/Low Income
 - Public Meeting
- Audited Financial Statement Review
 - Previous 3 years audited financial statements required
 - Financials forwarded to Financial Advisor
 - Must show a 1.1x coverage ratio
 - Rate increases recommended when the coverage ratio cannot be met

LOAN PROCESS – APPLICATION

- Plans and Specifications
 - Must be submitted prior to Project Review and Cost Summary
 - Must be approved prior to bid of project
- Engineering Contract
 - Must be approved prior to payment of Engineering expenses
 - Should include a ceiling amount for contract accounting
- Outlay Schedule
 - Capitalized interest calculated based on construction period
 - Loan repayment to begin on the first available date (2/15 or 8/15) post construction completion date
 - Loan closure date prioritized by construction start date

LOAN PROCESS – ENVIRONMENTAL REVIEW

- Environmental Review
 - Completeness of Application and EID
 - Comments will be issued through letter to the applicant and consulting representative
- Finding of No Significant Impact (FONSI) or Categorical Exclusion (CE)
 - 30 day public notice period
 - Loan is approved to close

LOAN PROCESS – LOAN CLOSURE

- Legal Review
 - Amortization schedules produced by ADEM
 - Loan closure managed by ADEM attorney's
 - Applicant's financial representative contacted by attorney
 - Loan approved for closure after final loan documents have been adopted by the borrower

LOAN CLOSURE – COMMON QUESTIONS

- Can we start the project prior to loan closure?
 - Applicant may receive short term funding from local banks or use existing cash
 - SRF loan may be used to pay off the bank loan, including accrued interest
 - ADEM must be notified if this plan is to be used

- Can we change the loan amount?
 - Prior to loan closing – based on availability
 - ADEM may reduce loan amounts based on cost estimates and ineligibility
 - Borrowers are locked in after loan closure

PRE-CONSTRUCTION PHASE

- Plans and specifications should be submitted for approval (electronic preferred)
- Permits must be obtained by the applicant prior to plan approval
- Contracts must include current ADEM Supplemental General Conditions
- If project is bid prior to loan closing, ADEM must be notified

BIDDING AND PR&CS

- Plans and Specs must be approved prior to Bid
- Project Review and Cost Summary documentation received (SGC-36 filled out by consulting engineer)
- DBE solicitation of Prime Contractor must be documented
- DBE documentation of the contractor is required
- Approval to award letter issued after a satisfactory review of PR&CS

DBE REQUIREMENTS

- The "Six Good Faith Efforts" approach must be utilized when soliciting disadvantaged business enterprise contractors.
 - Awareness – Outreach and Recruitment
 - Minimum 30 Day Proposal Solicitation
 - Consider Contract Division
 - Encourage Large Contract DBE Consortium
 - Use Resources and assistance provided by the SBA, MBDA, and DOT
 - Require prime contractors to follow the steps above when soliciting subcontractors
- Annual DBE Report – EPA Form 5700-52A

CONSTRUCTION PHASE

- Davis-Bacon Wage Rates Required
 - Must be incorporated into bidding specifications
 - Project type and county specific
 - Can be obtained at beta.sam.gov
- American Iron and Steel Requirement
 - Requires construction materials made of primarily Iron and Steel (>50%) and permanently incorporated into the finished project to be manufactured within the United States

CONSTRUCTION PHASE – AIS

■ Eligible AIS Materials

- Pipe & Fittings
- Manhole covers
- Pipe clamps
- Valves
- Structural steel
- Reinforced concrete
- Encasement piping
- Fencing

■ Exempt AIS Materials

- Electrical and mechanical components
- Pumps
- Filters
- Blowers
- SCADA
- Water meters
- External surface coatings
- Brass and bronze

PROJECT REIMBURSEMENT

- Loan must be closed
 - Approval to award and contract document approval must be given
 - ADEM payment request form must be submitted with invoices
 - Only one payment request per month will be processed
 - Payments will not be made directly to the contractor
- Payment Request
 - Quick Reference Guide
 - Pay request form will be provided after loan closure
 - Pay request should be submitted electronically by email using the format specified in the quick reference guide provided
Ex. PR#I Montgomery FS010000-00 Trustee# 703-0000-0
 - Pay Request should be emailed to the SRF District Engineer
 - Carbon Copies (cc) should be provided to Diane Lockwood (Fiscal) and the SRF Mailbox (srf@adem.alabama.gov)
 - First request must include wiring instructions from the borrower's bank

COMMON PROBLEMS

- Failure of the prime contractor to follow the six affirmative steps
- Failure to not have procurement processes documented and approved by ADEM
- Not including ADEM SGCs in contract documents
- Attempts to use SRF funds for in-kind labor and land costs

QUESTIONS?

Kris Berry

Chief, SRF Section

kberry@adem.alabama.gov

(334) 271-7805